SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2009 Report
Volume 1

Provincial Auditor Saskatchewan

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ISSN 0581-8214

Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

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May 15, 2009

The Honourable D. Toth
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2009 Report – Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Our 2009 Reports

In 2009, our Office issued two other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
  www.auditor.sk.ca
- contact our Office by Internet e-mail at:
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Our Reports:

- *Report to the Legislative Assembly of Saskatchewan on the 2008 Financial Statements of CIC Crown Corporations and Related Entities: April 2009*
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2008 Calendar Year: April 2009*

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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information government agencies give to the Legislative Assembly. We do this by independently auditing all government agencies and reporting our results and recommendations to the Legislative Assembly.

Our audits continue to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to providing effective government services and paying for those services. The key forces and trends affecting the Government include advancing technologies, managing infrastructure, pressures on the environment, population changes, and managing for and demonstrating results.

The Government delivers its services through about 280 agencies. These agencies include ministries, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers our audits of about 136 agencies. We will report on the rest of the agencies in our 2009 Report – Volume 3.

For the most part, the agencies covered by this report have adequate controls to manage risks to public resources. A few agencies, however, have serious control problems.

Under the headings of protecting employee capacity, protecting people, protecting information, and protecting public resources, this chapter highlights some of the more serious control problems. Government agencies need to move quickly to fix these problems.

Protecting employee capacity

The Government's ability to manage the risks that affect its services and its ability to pay for those services is determined in large part by the capacity of its employees. Government agencies need sound human resource plans and practices that result in sufficient employees with the competencies to carry out their responsibilities.

Chapter 9—Public Service Commission reports that the Commission needs better processes to develop employees with the skills to lead ministries. Strong senior management is essential for providing effective services and effective management of public money. The Commission needs to provide potential senior managers with developmental work experiences and mentoring opportunities. The Commission also needs to monitor its progress in building senior management capacity.

Chapter 4—Education, *Chapter 8—Liquor and Gaming Authority*, and *Chapter 10—Saskatchewan Gaming Corporation* report that these agencies need to improve their human resource plans. They need to identify the competencies they will require of their employees, determine the competencies of their existing employees, and develop plans and practices to eliminate any gaps.

Protecting people

We looked at the Government's processes for providing policing services to protect the public.

Chapter 3—Corrections, Public Safety and Policing reports that the Ministry did not have adequate processes to monitor provincial policing services provided by the Royal Canadian Mounted Police (RCMP). The Ministry must ensure effective law enforcement for public safety. The Ministry has not adequately identified all significant risks to policing services and communicated its service level objectives and priorities to the RCMP. The Ministry's contract for RCMP policing services is not adequate to ensure effective law enforcement. The contract does not include performance targets for services, allow for verification of RCMP costs, and require written explanations from the RCMP for differences between planned and actual results.

Protecting information

Computer systems and networks bring new risks to the security of information that government agencies use to provide services. That information can include citizens' personal information such as health and credit card information.

Government agencies must secure their systems and networks to make sure they are available to provide timely services. Government agencies must also secure their systems to ensure information is accurate, complete, and kept confidential.

Managing the security of information stored in computer systems becomes more complex when the systems are connected to the Internet. The Government has many systems connected to the Internet that are critical to the operation of government agencies.

Chapter 13—Saskatchewan Telecommunications Holding Corporation reports that SaskTel did not have adequate controls to protect its computer systems and data. SaskTel needs to secure its wireless computer network. Without adequate controls, the accuracy and completeness of SaskTel's data is at risk and there is a risk of unauthorized disclosure of information. SaskTel also needs better security over customer credit card information.

Chapter 3—Corrections, Public Safety and Policing, *Chapter 5—Finance*, and *Chapter 10—Saskatchewan Gaming Corporation* report agencies that need to prepare complete disaster recovery plans for their information technology systems. These agencies are at risk of losing their data or systems in the event of a disaster. These systems and data are essential for them to provide timely services to the public.

Protecting public resources

Government agencies must adequately protect public money. They must ensure that the Government receives all revenues it is entitled to and no more. They must ensure public money is protected from unauthorized use or loss and that it is spent prudently and for the intended purposes.

Protecting public money

Chapter 3—Corrections, Public Safety and Policing and *Chapter 4—Education* report that the ministries need to better control public money. The ministries have not acted promptly to fix their controls over public money. As a result, they are at risk of losing public money.

Chapter 5—Finance reports that the Ministry needs to improve its treasury function. The Ministry manages investments of about $4.8 billion and bond and debenture debt of about $11.6 billion for the Government. The Ministry needs to set investment performance expectations in sufficient detail to make possible an evaluation of investment performance. It also needs to report publicly on its actual investment performance compared to expectations. This information would help legislators and the public to assess the Government's debt strategy of setting aside money in sinking funds for investment as opposed to paying down its debts.

The Ministry also needs to document its processes for managing investments and debt. Written procedures would help it to continue to operate effectively after staff turnover.

Chapter 16—Tourism, Parks, Culture and Sport reports that the Ministry did not have adequate processes to supervise Western Canada Lottery Corporation and Saskatchewan Lotteries. These organizations operate Saskatchewan's lottery schemes as agents of the Government. The monies raised and spent as part of these schemes belong to the Government and are public money. The Ministry needs to do more to know that it is receiving the correct amount of revenue and that public money is protected and is spent prudently and for the intended purpose. The Ministry also needs to do more to know that the lotteries are operated honestly, fairly, and in compliance with the law.

Legislators and the public also need to receive more information from the Government to help hold the Government accountable for the management of this public money.

Chapter 13—Saskatchewan Telecommunications Holding Corporation reports that SaskTel recorded a loss of $6.4 million because its prepaid cellular card distributor did not submit all of the proceeds from the sale of these cards. SaskTel did not have adequate controls to protect itself from this loss.

Protecting public infrastructure

Government agencies must properly manage the Government's valuable infrastructure. They must have good processes for buying, building, operating, maintaining, and disposing of infrastructure.

Infrastructure includes information technology (IT) systems. When government agencies embark on major IT projects, we expect them to have good project management practices. One of those practices requires agencies to clearly identify benefits they expect to achieve. Agencies then need to develop systems and records that allow them to demonstrate that they achieved the benefits. This information is necessary so legislators and the public can assess whether a project was worthwhile.

Chapter 6—Government Services reports that the Ministry does not have adequate processes to maintain government buildings. The Ministry is responsible to operate and maintain almost 500 buildings. The Ministry did not have accurate and complete information about the state of repair of its buildings. It also did not have adequate maintenance plans or processes to ensure maintenance is effectively carried out. The Government is at risk of loss of asset value, health and safety problems for employees, and higher future repair costs.

Chapter 7—Information Technology Office reports that we are unable to determine whether the Information Technology Office (ITO) obtained the benefits the Government expected from consolidating ministries' IT processes within the ITO. The Government expected the consolidation to reduce IT costs for ministries and help them provide better service to the public. The ITO did not have reliable information to permit an evaluation of the consolidation. As a result, the ITO cannot demonstrate to legislators and the public that the consolidation was worthwhile. Also, the ITO should focus on providing better services to ministries to help them in turn provide better service to the public.

Acknowledgement

My Office fulfills its responsibilities through the dedicated efforts of its staff. Their knowledge and commitment make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
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Borys, Angèle
Brown, Rosanne
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Harasymchuk, Bill
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Herauf, Jena
Hungle, Angie
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O'Quinn, Carolyn
Osayande, Nicole
Pattullo, Candice
Reimer, Stephanie
Rybchuk, Corrine
Schwab, Victor
Shaw, Jason
Shorten, Karen
Sommerfeld, Regan
St. John, Trevor
Sych, Larissa
Tomlin, Heather
Toth, Stephanie
Volk, Rosemarie
Walker, Sandra
Watkins, Dawn
Yee, Ken
Zeng, Tiffany
Zerr, Jennifer

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Chapter 2—Agriculture

In our 2008 Report - Volume 3, we reported that the Ministry of Agriculture had transferred the responsibility to operate the Provincial Dairy Lab (Dairy Lab) to the Milk Control Board (Board) without proper legislative authority. The Board has spent about $850 thousand to December 31, 2008 on operating the Dairy Lab since the transfer.

At March 2009, the related legislation remained unchanged and the Board and the Ministry have not yet determined who will be responsible for the costs of operating the Dairy Lab. Because of these issues, the Board's financial statements for the years ending December 31, 2007 and December 31, 2008 are not finalized. The Legislative Assembly and the public have not received the Board's annual report and financial statements for these years as required by law.

The Board needs to assign responsibilities to its staff so that accounting functions are appropriately separated. Its staff need a better understanding of generally accepted accounting principles to ensure they prepare accurate and reliable financial statements. Also, the Board must take steps to make sure employment contracts are filed with the Clerk of Executive Council as required by law.

Chapter 3—Corrections, Public Safety and Policing

To meet its policing objectives, the Ministry of Corrections, Public Safety and Policing (Ministry) contracts with the Government of Canada for the services of the Royal Canadian Mounted Police (RCMP). The total provincial budgeted cost for RCMP services for Saskatchewan for 2008-09 was $118 million. We audited how well the Ministry monitors provincial policing services delivered by the RCMP.

We concluded that for the twelve-month period ended January 31, 2009 the Ministry did not have adequate processes to monitor provincial policing services delivered by the RCMP.

The Ministry needs to establish an adequate provincial policing services agreement with the RCMP. The Ministry needs to ensure it communicates its objectives and priorities to the RCMP. The Ministry also needs to obtain regular reports from the RCMP on whether its objectives and

priorities are being met. The reports should include explanations of differences between actual and planned results. The Ministry needs to verify that costs charged by the RCMP for provincial policing are accurate. The Ministry needs to identify and treat all significant risks to police service delivery by the RCMP.

The Ministry also needs to work with law enforcement agencies to ensure the voluntary payment option on issued tickets is consistent with the law.

We also report that the Ministry needs to protect its information technology systems and data. The Ministry should improve segregation of duties of its employees responsible for spending public money, follow its policy for internal audit to focus on activities where the Ministry is at greatest risk, complete its business continuity plan, and make an agreement with the Public Service Commission for providing payroll services.

We continue to recommend the Ministry of Corrections, Public Safety and Policing properly reconcile its recorded bank balances to the bank's records.

Chapter 4—Education

The Ministry of Education is responsible for the Teachers' Superannuation Commission (Commission). We make several recommendations to help the Commission establish adequate processes to safeguard public resources and comply with authorities governing its activities. Many of our recommendations have been previously reported. The Commission has made little progress in addressing our previous recommendations.

During the year, the Commission lacked an adequate governance process, an adequate written analysis of its human resource needs and strategies to address those needs, adequate written guidance for staff to follow, staff compliance with written guidance, and supervision of staff. We make several recommendations to help the Commission establish adequate processes.

Chapter 5—Finance

The Ministry of Finance manages almost $5 billion of investments for the General Revenue Fund, the Growth and Financial Security Fund, and several other agencies. Finance sets aside a significant amount of money in investments to repay the Government's debt. The success of its investing activities can have a significant impact on the Government's financial position.

Finance has not sufficiently set out its investing expectations to enable it to evaluate its performance in managing investments. While it has investment guidelines, it does not report on its compliance with those guidelines. Also, the public does not receive reports on the performance of Finance's investing activities.

Where Finance carries out investing activities for others, it has not agreed with them, in writing, on their roles and responsibilities. Also, because of low turnover of staff who carry out investing and borrowing activities, Finance has not sufficiently documented its procedures. To protect itself from a possible disruption of investing and debt management services in the event of staff turnover, it should document these procedures.

Finance is responsible for 25 special purpose funds and agencies. This report covers 17 of those funds and agencies with a December year-end. These agencies have reliable financial statements, have complied with the law, and have adequate rules and procedures with the following exceptions.

For six employee benefit plans, the Public Employees Benefit Agency did not review or approve monthly bank reconciliations and journal entries on a timely basis. The Agency needs to set policies for the preparation and approval of bank reconciliations and journal entries.

Chapter 6—Government Services

The Ministry of Government Services (Ministry) is responsible for all matters relating to public works including the responsibility to maintain buildings. The Ministry owns approximately 800,000 square metres of space in 476 buildings. The buildings the Ministry owns include provincial office buildings, highway storage and repair buildings, health-care

facilities, technical schools, museums and art galleries, correctional centres, laboratories, courthouses, and historic properties.

The value and condition of buildings change over time due to physical deterioration. The consequences of not carrying out adequate building maintenance and repairs are loss of asset value, poor quality of working space, potential health and safety problems, and the probability of higher repair costs in the future.

The Ministry did not have adequate processes to maintain its buildings for the twelve-month period ended December 31, 2008. The Ministry needs to:

- ensure the information on its buildings is accurate, complete, and available
- approve adequate maintenance plans for all the buildings it owns
- sign adequate agreements with its clients that describe each of the parties' responsibilities
- ensure maintenance is effectively carried out on all of its buildings
- provide senior management adequate reports to monitor the process to maintain its buildings

Chapter 7—Information Technology Office

In 2004, the Government directed the Information Technology Office (ITO) to begin delivering information technology (IT) services to ministries. Ministries previously provided these services for themselves. The consolidation was intended to improve IT services and save money. The consolidation involved significant risks because IT is an integral part of delivering many government programs and services and because the consolidation required significant organizational change.

At March 31, 2008, the consolidation of IT services into ITO was largely complete. Our audit objective was to assess whether, by that date, ITO delivered intended service improvements through IT consolidation and provided those services at a lower cost. We intended to examine

evidence comparing changes in services and costs to a baseline or starting point. However, the evidence was incomplete and not verifiable, and we were not able to conclude on the objective.

The Government should have set out an overall business plan for the consolidation, with an estimate of total costs, together with a method for measuring progress against the plan. This would have provided a basis for the Government to evaluate the success of consolidation. We make recommendations for improvements in the areas of client satisfaction, applications and application support, and responding to service requests.

Chapter 8—Liquor and Gaming Authority

Liquor and Gaming Authority (Liquor & Gaming) is responsible for Saskatchewan Indian Gaming Authority Inc.'s (SIGA) spending. It approved the construction of SIGA casinos at Swift Current and Yorkton.

SIGA had adequate project management processes for the construction of the Living Sky Casino and the Painted Hand Casino except SIGA needs to:

- approve construction capital management policies for major construction projects
- develop and approve risk plans before starting major construction projects
- establish dispute resolution processes with its key partners before starting major construction projects

Liquor & Gaming continues to make progress in implementing our 2006 Report – Volume 1 recommendations to strengthen its processes to encourage responsible use of beverage alcohol but needs to do more. It needs to prepare a complete plan, including performance measures and targets, to evaluate its performance in encouraging the responsible use of beverage alcohol.

Liquor & Gaming has made progress in implementing our 2006 Report – Volume 3 recommendations to improve its succession planning processes. However, it still needs to document and communicate

potential competency gaps and document and monitor the progress of its succession strategies.

Chapter 9—Public Service Commission

Government ministries are facing a potential leadership challenge. About one-half of senior management of government ministries could retire by 2013 and nearly one-half of the managers who would usually replace them could also retire by then. It is important that the Public Service Commission (PSC) and ministries have a sufficient supply of potential leaders.

PSC, as the central human resource agency for government ministries, is responsible for providing ministries with leadership and policy direction for developing a professional public service. This includes having solid processes to develop leaders for senior management positions in government ministries.

At December 31, 2008, these processes needed improvement in two key areas. First, PSC needed better processes to provide potential leaders with developmental work experiences (for example, assignments to positions that expand their knowledge and skills) and mentoring opportunities. Second, PSC needed processes to monitor and report on the readiness of ministries to meet their future leadership needs.

Chapter 10—Saskatchewan Gaming Corporation

Effective April 1, 2008, Saskatchewan Gaming Corporation (SGC) operates under the direction of the Crown Investments Corporation of Saskatchewan. SGC's fiscal year has changed from March 31 to December 31.

SGC needs written procedures for information technology (IT) security to help ensure the confidentiality, integrity, and availability of information systems and data.

SGC also needs a written, tested, and approved disaster recovery plan so it can continue to use IT services in the event of a disaster.

As well, SGC needs to further improve its human resource plan.

For the nine months ended December 31, 2008, SGC's financial statements are reliable. SGC had adequate processes to safeguard public resources and it complied with authorities governing its activities.

Chapter 11—Saskatchewan Government Insurance

Saskatchewan Government Insurance (SGI) has implemented our 2007 recommendations from our 2007 audit to strengthen its project management processes for the Saskatchewan Auto Fund Redevelopment Project.

SGI's 2008 financial statements are reliable. It had adequate processes to safeguard public resources and it complied with governing authorities.

Chapter 12—Saskatchewan Research Council

The Saskatchewan Research Council's (SRC) purpose is to assist Saskatchewan industries to be globally competitive through the responsible application of science and technology. SRC, by effectively managing its risks and achieving its objectives, can positively influence Saskatchewan's economy and social prosperity.

Risk management can be challenging. SRC is establishing strong risk management processes that other agencies may find useful.

This chapter reports the results of how SRC's Board used risk management processes. SRC's Board had adequate risk management processes except for monitoring both the causes of risks and risk management outcomes.

Chapter 13—Saskatchewan Telecommunications Holding Corporation

Saskatchewan Telecommunications Holding Corporation (SaskTel) markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems and services.

SaskTel needs better controls to protect itself against losses from the sales of prepaid cellular service cards to distributors. It also needs to improve security over customer credit card information.

Many of SaskTel's activities and services involve the use of intellectual property. We followed up on our 2007 audit of SaskTel's processes to manage intellectual property. We found that SaskTel had complied with our recommendations.

SaskTel makes extensive use of information technology (IT) to deliver its products and services. SaskTel's IT environment includes a large, system-wide network that provides most of SaskTel's personnel with access to email and significant amounts of information. We audited the security of wireless access to these resources, focusing on the wireless security controls at SaskTel's head office and Regina data centre (wireless access is where computers communicate with each other without being physically connected by a wire or cable). We found that SaskTel did not have adequate wireless network security controls for the period August 1, 2008 – January 31, 2009. We make seven recommendations.

SaskTel, the companies it owns, and its pension plan had reliable financial statements; complied with the law; and had adequate rules and procedures to safeguard their public resources, except for the matters described above.

Chapter 14—Saskatchewan Transportation Company

Saskatchewan Transportation Company (STC) uses a method called "Balanced Scorecard" to measure and report on its performance. Its annual reports include these reports.

STC has implemented the two recommendations we made in our 2007 Report – Volume 1 in our audit of the reliability, understandability, and consistency of information presented in its 2006 balanced scorecard. By implementing these recommendations, STC has improved its processes to produce reliable balanced scorecard reports.

STC's 2008 financial statements are reliable; it had adequate rules and procedures to safeguard its public resources; and it complied with authorities governing its activities.

Chapter 15—Saskatchewan Water Corporation

Saskatchewan Water Corporation (SaskWater) has made some progress in addressing the recommendations we made in 2006 on processes to maintain its water treatment and transmission infrastructure. However, much more work is needed. Accordingly, we continue to recommend that SaskWater compile detailed information about its infrastructure to identify maintenance needs. We also continue to recommend that SaskWater use a maintenance plan to improve infrastructure efficiency and reliability for the lowest possible long-term cost.

SaskWater's financial statements are reliable, it had adequate processes to safeguard public resources, and it complied with the authorities governing its activities.

Chapter 16—Tourism, Parks, Culture and Sport

To support sport, culture, and recreation activities throughout the Province, the Ministry of Tourism, Parks, Culture and Sport (Ministry) raises money through lottery schemes.

The Ministry, through an agreement (lottery agreement), uses the Western Canada Lottery Corporation (WCLC) and Western Canada Lotteries – Saskatchewan Division Inc. and Sask Sport Distributors Inc. as its agents to operate lottery schemes. The Ministry must have processes to supervise these entities' compliance with the lottery agreement. Compliance would help ensure that 1) the Government receives the correct amount of lottery revenues and that public money is properly protected, spent prudently, and spent for intended purposes, and 2) that lottery schemes are operated with integrity (i.e., in a fair manner and in accordance with the law).

The Ministry did not have adequate processes to supervise compliance with the lottery agreement by WCLC, Western Canada Lotteries – Saskatchewan Division Inc. and Sask Sport Distributors Inc. As a result, the Ministry did not know whether the Government received the correct amount of lottery revenues and lottery schemes were operated with integrity. Also, the Ministry did not know that public money was properly protected, spent prudently, and spent for intended purposes.

We make several recommendations to strengthen the Ministry's processes to supervise compliance with the lottery agreement.

Chapter 17—Standing Committee on Crown and Central Agencies

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central government agencies, liquor, gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. At December 2008, the Government has implemented most of the Committee's recommendations. This chapter sets out the status of outstanding recommendations for agencies not discussed elsewhere in this report.

Agriculture

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Main points

In our 2008 Report - Volume 3, we reported that the Ministry of Agriculture had transferred the responsibility to operate the Provincial Dairy Lab (Dairy Lab) to the Milk Control Board (Board) without proper legislative authority. The Board has spent about $850 thousand to December 31, 2008 on operating the Dairy Lab since the transfer.

At March 2009, the related legislation remained unchanged and the Board and the Ministry have not yet determined who will be responsible for the costs of operating the Dairy Lab. Because of these issues, the Board's financial statements for the years ending December 31, 2007 and December 31, 2008 are not finalized. The Legislative Assembly and the public have not received the Board's annual report and financial statements for these years as required by law.

The Board needs to assign responsibilities to its staff so that accounting functions are appropriately separated. Its staff need a better understanding of generally accepted accounting principles to ensure they prepare accurate and reliable financial statements. Also, the Board must take steps to make sure employment contracts are filed with the Clerk of Executive Council as required by law.

Introduction

The purpose of the Ministry of Agriculture (Ministry) is to enable a prosperous market-driven agricultural industry through a supportive legislative framework, policies, and programs and services.[1]

Special purpose funds and Crown agencies

At December 31, 2008, the Ministry was responsible for the following special purpose funds and Crown agencies. Each one has a March 31 year-end unless otherwise noted.

Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Agri-Food Council
Agri-Food Innovation Fund
Beef Development Board
Cattle Marketing Deductions Fund
Crop Reinsurance Fund of Saskatchewan
Horned Cattle Fund
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund
Livestock Services Revolving Fund
Milk Control Board (December 31)
Pastures Revolving Fund
Prairie Agricultural Machinery Institute
Saskatchewan Agricultural Stabilization Fund
Saskatchewan Crop Insurance Corporation
Thomson Meats Ltd. (December 31)
Pension Plan for the Employees of Thomson Meats Ltd. (December 31)

As explained later in this chapter, we have not completed the audits of the Milk Control Board's financial statements for the years ended December 31, 2007 and December 31, 2008. Also, we have not completed the 2008 audits of Thomson Meats Ltd. and its pension plan. We expect to report the results of these audits in our next report. Our 2008 Report – Volume 3 reports the results of our audits of the Ministry and its special purpose funds and agencies with years ended

[1] Government of Saskatchewan, Ministry of Agriculture, Plan for 2009-10, p. 1.

March 31, 2008. The next section sets out the results of our audit of the Milk Control Board (Board) for the year ended December 31, 2008.

Audit conclusion and findings – Milk Control Board

The mandate of the Board is to regulate the production, supply, pricing, and sale of milk. Working with producers, processors, and consumers, the Board is to provide producers with the opportunity to obtain a fair return while providing consumers with an adequate supply of high quality dairy products at reasonable prices.[2]

In our opinion, for the year ended December 31, 2008:

- the Board had adequate rules and procedures to safeguard public resources except for matters noted in this chapter
- the Board complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for matters noted in this chapter

Unauthorized transfer of the Provincial Dairy Lab

As reported in Chapter 3 of our 2008 Report – Volume 3, in April 2006, the Ministry of Agriculture (Ministry) transferred the responsibility to operate the Provincial Dairy Lab (Dairy Lab) from the Ministry to the Milk Control Board without proper legislative authority. The Board has operated the Dairy Lab without the proper authority since the transfer. Consequently, the Board spent about $850 thousand from April 1, 2006 to December 31, 2008 on the Dairy Lab's activities without proper authority.

At March 26, 2009, the related legislation has not changed and the Board has not recovered the Dairy Lab costs from the Ministry. Also since December 2006, the Board has charged producers and the processor an additional levy of $0.04 per hectolitre to absorb the additional cost of administrating the Dairy Lab and quality regulations[3] resulting in revenues of about $381 thousand to December 31, 2008. In 2008, producers paid the Board about $40 thousand for tests carried out by the Dairy Lab.

[2] Government of Saskatchewan, Milk Control Board, 2006 Annual Report, pp. 8-9.
[3] Government of Saskatchewan, Milk Control Board, 2006 Annual Report, p. 9.

Under current legislation, the Ministry does not have the power to delegate or transfer its responsibilities to operate the Dairy Lab. If the Ministry desires to transfer the Dairy Lab to another agency, it must seek changes to the applicable legislation. Otherwise, it should resume operating the Dairy Lab directly.

We continue to recommend the Ministry of Agriculture comply with the law or seek changes to the law to allow the transfer of its regulatory responsibilities carried out by the Provincial Dairy Lab to another agency.

The Standing Committee on Public Accounts (PAC) considered this matter on December 8, 2008 and concurred with our recommendation.

We note that the Board has delayed updating its strategic plan until this legal issue is resolved.

Financial statements and reports to Legislative Assembly late

The Board has not submitted its annual reports and audited financial statements for the years ended December 31, 2008 and December 31, 2007 as required by law.

The Milk Control Act, 1992 requires the Board, in accordance with *The Tabling of Documents Act, 1991*, to prepare and submit its annual report and audited financial statement by March 31 each year to the President of the Executive Council (premier) who must then provide these reports to the Legislative Assembly by April 30 each year. The financial statements are to be in the form required by Treasury Board.

In April 2008, the Ministry of Finance advised the Board and the Ministry of Agriculture that "until such time as the legal issues can be resolved regarding the transfer [of the Dairy Lab], we are unable to provide Treasury Board approval of the [Board]'s 2007 financial statements." The legal issues resolving the transfer are not yet resolved.

At March 26, 2009, Treasury Board had not approved the 2007 financial statements. Also, at this date, the Ministry and the Board were determining which agency will be responsible for the costs of the Dairy Lab incurred since the transfer and the potential impact on associated

revenues. As a result, the Board has not finalized its 2008 financial statements.

Better understanding of accounting standards required

In Chapter 3 of our 2008 Report – Volume 3, we reported that the Milk Control Board's staff needed a better understanding of generally accepted accounting principles (GAAP) to help ensure they prepare accurate and reliable financial statements.

The Board must prepare financial statements using GAAP. Staff need sufficient knowledge and understanding of GAAP. Also, the Board needs a sufficient understanding of GAAP to oversee the preparation of accurate and reliable financial statements.

During the audit, we noted the Board had included in its 2009 budget money for additional staff training and hiring of accounting expertise to assist staff in the preparation of reliable financial statements.

We continue to recommend the Milk Control Board provide its staff with support and training to increase their understanding of accounting standards.

PAC considered this matter on December 8, 2008 and concurred with our recommendation.

Inadequate segregation of accounting duties

The Board has not properly separated the accounting duties of employees and has not taken sufficient steps to mitigate the related risks.

As explained in the exhibit below, it's essential for good control to separate key functions so that no one employee or group of employees is in a position to commit errors or conceal fraud in the normal course of their duties. Maintaining accurate job descriptions for all employees contributes to strong control. Agencies with effective boards, strong management, and good control systems cannot prevent or detect all losses of public money. Nevertheless, they should take steps to reduce the risk of such losses.

Exhibit 1 – Separating incompatible functions and using job descriptions

Good controls separate the following functions: the custody or access to assets (e.g., cash), the initiation of transactions (e.g., decision to buy), the approval of transactions (e.g., approval to buy), and the responsibility for recording and reporting the transaction (e.g., recording amounts in the accounting records). When agencies assign incompatible functions, they must rely on review and approval of work and reports to detect errors or irregularities. Staff who are assigned responsibility for review and approval of such work and reports must be fully aware of an employee's incompatible functions and related risks. They must keep the additional risks in mind when carrying out their review.

Accurate job descriptions contribute to control by documenting overall duties and areas of responsibility of each employee. Job descriptions allow agencies to review assigned duties to identify potentially incompatible functions and take the necessary steps to reassign or reduce risk of fraud and error. Written job descriptions also help agencies ensure employees and their supervisors have a clear understanding of their responsibilities and provide a basis to monitor performance.

The Board had a small staff with five employees (not including staff who operate the Dairy Lab) at December 31, 2008. After staff retirements in 2008, the Board assigned to one employee incompatible functions such as preparing the bank reconciliations, preparing deposits when another employee is absent, signing cheques as one of two required signers, recording transactions in the Board's accounting records, maintaining security over the computerized accounting system, and preparing financial reports for senior management's and the Board's approval. Also, there is no up-to-date job description for this employee. The Board is at risk of losses of public money and must take steps to reduce the risk of such losses.

1. We recommend the Milk Control Board assign responsibilities so that accounting functions that are not compatible are appropriately separated.

2. We recommend that all employees of the Milk Control Board have job descriptions that accurately reflect their responsibilities.

Employment contract not filed when required

The Board did not file an employment contract as required by law.

The Crown Employment Contracts Act requires certain employees to file copies of their employment contracts with the Clerk of Executive Council within 14 days of entering into the contract.

In May 2008, the Board changed the terms of employment (employment contract) for an employee who reports directly to the Chief Executive Officer. During our audit, we noted the employee had not filed the employment contract as required by law. When our Office brought this to the attention of the employee, he noted that he was unaware of the requirement to do so. Other employees affected by the Act appropriately filed their employment contracts. However, the Board does not have processes to remind staff to file their contracts. The affected employee subsequently filed the employment contract in early April 2009.

3. We recommend that all employment contracts of Milk Control Board employees who fall under *The Crown Employment Contracts Act* be filed with the Clerk of Executive Council as required by law.

4. We recommend the Milk Control Board develop procedures so that employment contracts are filed as required by law.

Corrections, Public Safety and Policing

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Main points

To meet its policing objectives, the Ministry of Corrections, Public Safety and Policing (Ministry) contracts with the Government of Canada for the services of the Royal Canadian Mounted Police (RCMP). The total provincial budgeted cost for RCMP services for Saskatchewan for 2008-09 was $118 million. We audited how well the Ministry monitors provincial policing services delivered by the RCMP.

We concluded that for the twelve-month period ended January 31, 2009 the Ministry did not have adequate processes to monitor provincial policing services delivered by the RCMP.

The Ministry needs to establish an adequate provincial policing services agreement with the RCMP. The Ministry needs to ensure it communicates its objectives and priorities to the RCMP. The Ministry also needs to obtain regular reports from the RCMP on whether its objectives and priorities are being met. The reports should include explanations of differences between actual and planned results. The Ministry needs to verify that costs charged by the RCMP for provincial policing are accurate. The Ministry needs to identify and treat all significant risks to police service delivery by the RCMP.

The Ministry also needs to work with law enforcement agencies to ensure the voluntary payment option on issued tickets is consistent with the law.

We also report the Ministry needs to protect its information technology systems and data. The Ministry should improve segregation of duties of its employees responsible for spending public money, follow its policy for internal audit to focus on activities where the Ministry is at greatest risk, complete its business continuity plan, and make an agreement with the Public Service Commission for providing payroll services.

We continue to recommend the Ministry of Corrections, Public Safety and Policing properly reconcile its recorded bank balances to the bank's records.

Introduction

The Mandate of the Ministry of Corrections, Public Safety and Policing (Ministry) is to promote safe communities by delivering effective programs for persons in conflict with the law; through emergency planning and communication, monitoring building standards and delivering fire prevention and disaster assistance programs; and through administering licensing and inspection services in the areas of boilers and pressure vessels, elevators and amusement rides.[1]

The Ministry focuses on activities in five main areas: adult corrections, young offenders programs, licensing and inspections, protection and emergency services, and policing services.

In 2007-08, the Ministry raised revenues of $58.1 million and spent about $305.4 million. About 62% of its revenues are from the Federal Government for cost-sharing programs. Information about the Ministry's revenues and expenses appears in its 2007-2008 annual report.[2]

The following is a list of the Ministry's major programs and spending for the year ended March 31, 2008:

	Original Estimates[3]	Actual
	(in millions of dollars)	
Central Management & Services	$ 14.9	$ 15.5
Adult Corrections	76.0	82.9
Young Offenders Programs	46.1	46.2
Public Safety	6.8	41.5
Policing Services	0.0	120.6
Regina Provincial Correctional Centre	26.6	27.7
Major Capital Projects	0.0	2.4
Capital asset acquisitions	(28.0)	(31.7)
Capital asset amortization	0.2	0.3
	$ 142.6	$ 305.4

[1] Ministry of Corrections, Public Safety, and Policing, 07-08 Annual Report, p. 5.
[2] See http://www.cpsp.gov.sk.ca/CPSP-07-08.pdf). (07 Apr 2009)
[3] Ministry of Finance, *2007-08 Saskatchewan Provincial Budget Estimates*. The Estimates' total was changed to $261.1 million because the responsibility for policing was transferred to the Ministry. This revised total does not include the additional $33.1 million authorized through the *2007-08 Saskatchewan Provincial Budget – Supplementary Estimates – December* and the additional $3.6 million authorized through the *2007-08 Saskatchewan Provincial Budget – Supplementary Estimates – March* for Corrections, Public Safety and Policing (Vote 73). In addition, $8.4 million was vired from capital asset subvotes to operations subvotes.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2008:

- the Ministry had adequate rules and procedures to safeguard public resources except as described in this chapter
- the Ministry complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter

In this chapter, we also report the results of our follow-up work on managing for results, as well as our audit of the Ministry's processes to monitor provincial policing services delivered by the RCMP.

Control of cash needed

In our 2007 Report – Volume 1, we reported the Ministry needs to follow its policies and procedures to properly reconcile its recorded bank balances to the bank's records. On June 25, 2007, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation. At March 31, 2008, this was still an issue.

At March 31, 2008, the Ministry held cash of about $500,000 on behalf of adult inmates in 22 bank accounts. *The Correctional Services Trust Account Regulations* sets restrictions for the use of trust money and requires adequate accounting records for trust money.

The Ministry's policies and procedures require employees to agree (reconcile) its recorded bank balances to the bank's records each month. They also require management to review and approve the reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides a check that all charges to the bank account are proper, and that all money has been received and deposited in the right account. It also provides a check on the accuracy and reliability of the Ministry's accounting records.

We found the bank reconciliations for six adult inmate bank accounts were not prepared according to the Ministry's policies and procedures.

Management at the correctional facilities approved these bank reconciliations and forwarded them to head office for review without identifying that the bank reconciliations were prepared incorrectly.

We continue to recommend the Ministry of Corrections, Public Safety and Policing follow its policies and procedures to properly reconcile its recorded bank balances to the bank's records.

Fines not in accordance with legislation

The Ministry needs to ensure that payments made using the voluntary payment option on tickets issued by law enforcement agencies are consistent with the law.

In November 2007, responsibility for policing programs transferred to the Ministry. Part of this responsibility is oversight of peace officers involved in municipal policing as well as services under contract with the Royal Canadian Mounted Police (RCMP).

The Summary Offences Procedure Act, 1990 allows peace officers to issue tickets with voluntary payment options (i.e., offenders can plead guilty and pay a fine without attending court). *The Summary Offences Procedure Regulations, 1991* (Regulations) sets out the amount of the fine for offenders who may choose the voluntary payment option. Offenders pay the voluntary fines to the Ministry of Justice and Attorney General.

We tested a sample of tickets at the Ministry of Justice and Attorney General where offenders chose the voluntary payment option. We found that 12% of the fines did not comply with the Regulations. The Ministry of Corrections, Public Safety and Policing was not aware of these issues.

The Ministry does not request information from the Ministry of Justice and Attorney General regarding errors or concerns with fines issued. Nor does the Ministry gather this information directly. Therefore, the Ministry does not know if processes and training for issuing tickets are adequate to prevent errors.

1. We recommend the Ministry of Corrections, Public Safety and Policing work with law enforcement agencies to ensure the

voluntary payment option on issued tickets is consistent with the law.

Segregation of duties needed

The Ministry needs to properly segregate the duties of employees to ensure an employee cannot initiate payments and approve the same payments.

Segregation of employees' duties is important to prevent the misuse of public money. Segregation of duties is not adequate when an employee or group of employees can commit and conceal errors or fraud. Inadequate segregation of duties increases the risk that public money may be misused without ready detection.

Under a shared services agreement for certain administrative duties, the Ministry of Justice and Attorney General processes payments on behalf of the Ministry.

The Ministry uses the government's centralized payment system called Multi-informational Database Applications System (MIDAS). MIDAS does not adequately segregate functions for processing payments. MIDAS allows certain employees to enter vendor invoices in the system and then approve them for payment. Employees are approved vendors in the MIDAS system if they have received travel or medical expense reimbursements. This deficiency allows employees to authorize payments to themselves.

2. We recommend the Ministry of Corrections, Public Safety and Policing properly segregate duties of employees to ensure the same employee cannot initiate payments and approve the same payments.

Internal audit needs strengthening

The Ministry needs to follow its policy for its internal audit function.

In January 2008, the Ministry approved an internal audit policy. The policy requires a risk assessment to ensure audits focus on the areas with the highest risk. This assessment has not been done.

The internal audit policy also establishes an audit committee to oversee internal audit. This committee is to provide direction to internal audit, approve the annual audit plan based on a risk assessment, and review semi-annual summary audit reports. The committee did not meet from January to November 2008. During the period, the internal auditor reported to the Executive Director of Corporate Services.

Without a formal risk assessment and an audit committee to provide direction, the risk is increased that audit resources will not focus on the areas of greatest significance to the Ministry.

3. We recommend the Ministry of Corrections, Public Safety and Policing follow its policy for its internal audit function to focus on the activities where the Ministry is at greatest risk.

Better information technology processes needed

The Ministry needs to protect its information technology (IT) systems and data. We found three areas where IT systems and data were not properly protected.

The Ministry needs an adequate agreement on disaster recovery and security with the Information Technology Office (ITO).

Since April 2007, the ITO has delivered IT services to the Ministry. ITO and the Ministry signed a service level agreement on August 27, 2008. The agreement sets out roles and responsibilities of both ITO and the Ministry. The agreement also identifies some security and availability requirements. However, the agreement does not identify all of the security requirements. For example, the agreement does not set out what security policies and procedures the Ministry's employees need to follow. The Ministry has identified disaster recovery times for significant applications. However, the agreement does not set out the timeframe for the recovery completion. As a result, the Ministry does not know if ITO's disaster recovery processes meet the Ministry's needs.

4. We recommend the Ministry of Corrections, Public Safety and Policing sign an adequate agreement on disaster recovery and security with the Information Technology Office.

The Ministry has not prepared multi-year IT plans that link to its strategic business objectives. Nor has it prepared an annual IT operational plan. An IT operational plan would identify priorities and set objectives and initiatives for each priority. The Ministry needs adequate IT plans to ensure its use of resources supports its strategic objectives.

5. We recommend the Ministry of Corrections, Public Safety and Policing prepare strategic and operational information technology plans that link to its strategic business objectives.

The Ministry did not have adequate processes to monitor the security of its IT systems.

ITO is a custodian for the Ministry's computer systems and data. To know that its computer systems and data are secure, the Ministry needs to monitor and assess the security provided by ITO.

The Ministry did not ask for or receive adequate information about security from ITO. Moreover, we found ITO did not adequately configure, monitor, and update firewalls at the Ministry. Firewalls help to maintain security of Ministry systems and data.

As a result of these weaknesses, the Ministry's systems and data were at risk of inappropriate access. In addition, because of the lack of adequate communication about security, the Ministry was not aware of the risk.

6. We recommend the Ministry of Corrections, Public Safety and Policing adequately monitor the security of its information technology systems and data.

Business continuity plan needed

In our 2007 Report – Volume 1, we reported the Ministry needs to complete and implement its business continuity plan (BCP).[4] On June 25, 2007, PAC considered this matter and agreed with our recommendation.

The Ministry performs several critical services including adult corrections, young offender programs, licensing and inspections, protection and emergency services, and policing services. The Ministry works with many key partners to provide its services. The Ministry must provide these services even if a disaster disrupts its ability to operate and provide services in the normal manner. Without a BCP, the Ministry is at risk of not being able to provide critical services.

The Ministry identified its critical services and developed plans for them. On August 27, 2008, the Ministry approved its BCP.

Starting April 2007, the Ministry began to use ITO for its IT service delivery. The Ministry has not completely updated its plan to incorporate the delivery of IT services through ITO. As stated earlier, the Ministry does not know if ITO's disaster recovery processes meet the Ministry's needs.

The Ministry also needs to test its BCP to help ensure that it can continue to deliver its critical services in the event of a disaster.

We continue to recommend the Ministry of Corrections, Public Safety and Policing complete and implement its business continuity plan.

Service agreement required

The Ministry does not have a service agreement with the Public Service Commission (PSC) for providing payroll services.

In October 2007, the Ministry transferred to PSC certain employees working in the Ministry's payroll and human resource branches. PSC now

[4] **Business Continuity Plan** (BCP)-Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the organization's critical operations or functions.
Disaster Recovery Plan (DRP)-Plan by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system. A DRP is only one component of the Business Continuity Plan.

provides payroll services to the Ministry. The Ministry needs to make an agreement with PSC setting out the roles and responsibilities of both PSC and the Ministry. For example, the agreement would describe the services PSC would provide, service delivery targets, and processes for monitoring. Lack of a formal service agreement increases the risk that the Ministry may not receive the services it needs.

7. We recommend the Ministry of Corrections, Public Safety and Policing make an agreement with the Public Service Commission for providing payroll services.

Managing for results—a follow-up

This section highlights the Ministry's progress towards implementing the recommendations made in our 2005 Report – Volume 3. We reported on the adequacy of the Ministry's results-based management processes. We recommended the Ministry analyze and report quarterly to executive managers the Ministry's progress toward planned outcomes. On November 14, 2006, PAC considered this matter and agreed with our recommendation.

In December 2008, we assessed the Ministry's progress towards addressing our recommendation. The Ministry continues to report quarterly to executive managers. These reports do not use targets to analyze progress and explain results for many of the Ministry's planned outcomes. The reports also do not relate completed activities to planned outcomes.

We continue to recommend the Ministry analyze and report quarterly to executive managers the Ministry's progress toward planned outcomes.

Monitoring provincial policing services delivered by the RCMP

One of the purposes of the Ministry is to plan, develop, promote and implement policies and programs of the Government of Saskatchewan

related to policing.[5] Effective policing programs help to make communities safer and help keep citizens free from the fear of crime.[6]

To meet its policing objectives, the Ministry contracts with the Government of Canada for the services of the Royal Canadian Mounted Police (RCMP) as allowed under *The Police Act, 1990*. The agreement was signed in 1992 and expires in 2012. Other provinces and territories have made similar agreements with the Government of Canada. The Ministry is working with authorities in other provinces and territories to prepare for negotiating a replacement agreement.

The total provincial budgeted cost for RCMP services for Saskatchewan for 2008-09 was $118 million.[7] Under the agreement, the Ministry is responsible to determine its priorities and the level of services needed from the RCMP.[8]

If the Ministry does not adequately monitor the services the RCMP provides under its agreement with the Ministry, those services may not meet the Ministry's needs. Not meeting the Ministry's needs could contribute to a lack of effective law enforcement resulting in reduced public safety. Also, if costs of the agreement are not adequately managed, the Ministry may pay for services it did not receive.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry of Corrections, Public Safety and Policing had adequate processes to monitor provincial policing services delivered by the RCMP for the twelve-month period ended January 31, 2009. We did not examine policing services under First Nations community tripartite agreements or policing services contracted directly by municipalities. Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

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[5] *The Ministry of Corrections, Public Safety and Policing Regulations, 2007*, s. 3(c).
[6] Ministry of Corrections, Public Safety, and Policing, 07-08 Annual Report, p. 5.
[7] Ministry of Finance, 2008-09 Saskatchewan Provincial Budget Estimates.
[8] RCMP spending follows a 70/30 split with Saskatchewan responsible for 70% and Canada responsible for 30%. Canada also has priorities relating to its federal policing responsibilities.

We used criteria to assess the Ministry's processes. We based our criteria on our related work, reviews of literature including reports of other auditors, and consultations with management.

The criteria, set out in the exhibit below, describe the key processes that we expected the Ministry to use to monitor provincial policing services delivered by the RCMP. Management of the Ministry agreed with our criteria.

Exhibit—Audit criteria

To have adequate processes to monitor provincial policing services delivered by the RCMP, the Ministry should:

1. **Establish an appropriate service agreement**
   - 1.1. Describe roles and responsibilities of the parties
   - 1.2. Set services to be provided, including service level objectives and costs
   - 1.3. Require periodic reports on services, achievement of service level objectives, and costs

2. **Monitor service performance**
   - 2.1. Allocate resources to monitor whether requirements are being met
   - 2.2. Obtain regular information on whether requirements are being met (e.g., service objectives, financial responsibilities)
   - 2.3. Analyze service performance information

3. **Manage ongoing service delivery**
   - 3.1. Manage service delivery risks (e.g., identify, prioritize, control, and report on risks)
   - 3.2. Arrange regular meetings to address potential issues
   - 3.3. Follow established dispute resolution processes

We concluded that for the twelve-month period ended January 31, 2009 the Ministry of Corrections, Public Safety and Policing did not have adequate processes to monitor provincial policing services delivered by the Royal Canadian Mounted Police.

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and our key findings for our three criteria, together with our recommendations.

Establish an appropriate service agreement

We expected the Ministry would have established a service agreement that described the roles and responsibilities of the Ministry and the RCMP. An appropriate agreement would also set the services to be provided including service level objectives and the cost of those services. The agreement would also require periodic reports on the services provided, service level objectives, and costs.

The Government of Saskatchewan (represented by the Ministry) has an agreement with the Government of Canada respecting the use of the RCMP for provincial policing. The agreement sets out the roles and responsibilities of the Ministry, the Government of Canada, and the RCMP. The agreement sets out services the RCMP will provide, as well as services excluded from the arrangement.

Under the agreement, the Ministry is to set the level of services to be provided by the RCMP, as long as this is not below a minimum threshold set by the RCMP for safety reasons. The Ministry is required to communicate its expectations to the RCMP by providing its objectives, priorities, and goals for each year. The Ministry and RCMP are expected to meet at least quarterly to allow for monitoring throughout the year. The RCMP is also required to report in writing progress towards these expectations at the end of the year. The agreement does not require the RCMP to provide explanations when service quality does not meet the agreed expectations. It also does not set or require specific measures or targets to help assess the quality of the services provided.

The agreement describes the basis for billing and paying for the services provided. The RCMP bills during the year based on the budget. The RCMP determines the actual costs of the services at year-end. The difference between the amounts billed and the actual cost determined at year-end is to be refunded or paid as part of the first quarter payment in the following year.

The agreement requires the RCMP to report monthly on expenses and explain future significant expenses that it is likely to incur; however, the agreement does not require reporting of comparisons of budget to actual expenses. Following the end of the year, the RCMP must provide a final report of expenses for the year compared to budget, with explanations

where actual expenses varied significantly from the budget. The agreement does not provide clear direction regarding those explanations. For example, the agreement does not specify whether explanations are to be in writing or identify thresholds over which explanation is required. The agreement does not provide for the Ministry to obtain assurance regarding the expenses incurred by the RCMP to verify that the Ministry was billed correctly for the services received.

The agreement provides that the federal and provincial ministers will deal with any issues or disputes as they see fit. The agreement does not set out a process to follow should they be unable to reach agreement. A stronger practice would be to provide for a dispute resolution process in the agreement to address such issues should they arise.

As noted above, the agreement came into force in 1992 and expires in 2012. The Ministry is working with other provinces and territories to negotiate new agreements with the Government of Canada for the services of the RCMP.

8. We recommend the Ministry of Corrections, Public Safety and Policing establish an adequate provincial policing services agreement with the Royal Canadian Mounted Police that:

- includes performance targets to measure progress towards planned objectives
- allows for verification that costs charged by the Royal Canadian Mounted Police for provincial policing are accurate
- requires adequate written explanations of differences between planned and actual results
- describes processes for resolving disputes

Monitor service performance

We expected the Ministry to allocate resources to monitor whether requirements of the service agreement with the RCMP are being met. Monitoring service performance requires obtaining and analyzing

information about service objectives, including operational and financial responsibilities. Monitoring involves information from oral discussions and meetings, as well as written reports.

The Ministry's Policing Services Division is responsible for policing programs in the Province, including administration of the agreement with Canada for the use of the RCMP. Job descriptions and hiring practices help ensure that Ministry employees have the required knowledge and skills to perform their duties.

The Ministry did not provide the RCMP with its service expectations (i.e., objectives and priorities) in writing except for financial expectations. Management told us that in the past it communicated the Ministry's expectations by providing the RCMP with the policing portion of the Ministry's public performance plan. The Ministry told us that it expects to share similar information in the future.

Ministry employees meet regularly with the RCMP. They discuss priorities as part of these meetings. However, these meetings do not constitute a comprehensive communication of Ministry objectives and priorities to ensure the RCMP understands the Ministry's expectations and to put the RCMP in a position to report back on these. The Ministry's communication of priorities to the RCMP should also include performance targets to enable the RCMP to report—and the Ministry to assess—whether objectives are achieved and to allow for explanations when they are not achieved.

9. We recommend the Ministry of Corrections, Public Safety and Policing ensure it communicates to the Royal Canadian Mounted Police in writing its provincial policing service level objectives and priorities each year.

The RCMP did not provide the Ministry with an annual report on performance for the year ended March 31, 2008 until February 2009. This report was very brief and did not contain sufficient information to permit the Ministry to assess the RCMP's performance. Ministry employees did meet regularly with the RCMP during the year to obtain verbal updates on activities and issues. This included a Ministry employee attending the RCMP's monthly division executive committee meetings where operational and financial issues are discussed.

Every year, the RCMP submits a budget proposal to the Ministry that sets out the estimated cost of its services and the cost of any new initiatives the RCMP would like to pursue. The Ministry reviews this information to determine if the budget is reasonable and aligns with the Ministry's objectives and priorities for the year. The Ministry responds in writing regarding the approved budget amount.

The RCMP provides monthly financial reports to the Ministry that include a forecast of expenses to the year-end, as well as comparisons to prior year expenses. The RCMP also provides a year-end report of expenses. However, in the period we audited, these reports no longer included comparisons of budget to actual expenses. Nor did the RCMP provide written explanations of differences between budget and actual expenses. Management told us it receives verbal explanations of differences and has the opportunity to discuss any issues at meetings with RCMP officials.

10. We recommend the Ministry of Corrections, Public Safety and Policing obtain regular reports from the Royal Canadian Mounted Police on progress towards service level objectives and priorities, including explanations of differences between actual and planned results.

The Ministry does not receive independent reports or have other processes to verify that the costs charged by the RCMP are accurate. Without knowing if costs charged by the RCMP are accurate, the Ministry risks overpaying for the services it receives.

11. We recommend the Ministry of Corrections, Public Safety and Policing verify that costs charged by the Royal Canadian Mounted Police for provincial policing are accurate.

Manage ongoing service delivery

We expected the Ministry would have processes to identify, prioritize, control, and report on risks to police service delivery. We expected the Ministry would hold regular meetings with the RCMP to identify and address performance issues. We anticipated the Ministry would follow established processes to resolve disputes with the RCMP.

The Ministry does not have a formal risk framework or carry out formal risk assessments to prioritize risks to police service delivery. However, the Ministry does identify strategic risks related to policing in the province and the agreement as part of its strategic planning process. Also, Ministry employees report risks informally when they discuss risks at executive meetings and at meetings with the RCMP. A structured risk process would help to ensure the Ministry identifies, prioritizes, and controls all significant risks.

As noted, the Ministry identifies risks as part of its strategic planning process. The Ministry responds to these risks by planning specific initiatives, for example, to counter gang activity. The Ministry allocates funding to these initiatives in its budget process.

The Ministry meets regularly with the RCMP. Contact takes place at various levels within the RCMP including senior RCMP members and financial staff. The Ministry told us it also maintains day-to-day informal contact with the RCMP. This contact helps the Ministry to manage ongoing service delivery and risks in a timely way.

12. We recommend the Ministry of Corrections, Public Safety and Policing identify and treat all significant risks to police service delivery by the Royal Canadian Mounted Police.

As noted above under "Establish an appropriate service agreement," there is no clearly established process to resolve disputes between the Ministry and the RCMP. It is good practice to have a process in case future disputes arise. The Ministry told us Saskatchewan has not had any significant disputes with the RCMP in recent years. The Ministry does document issues that arise and their resolution.

The agreement calls for reviews of RCMP services every five years. The reviews are carried out jointly with the RCMP and other provinces and territories receiving RCMP services. The most recent review is still ongoing. The review process is intended to identify issues with services and costs and recommend improvements. The participants in the review expect their recommendations to be considered for the next agreement for RCMP services in 2012.

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Education

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Main points

The Ministry of Education is responsible for the Teachers' Superannuation Commission (Commission). We make several recommendations to help the Commission establish adequate processes to safeguard public resources and comply with authorities governing its activities. Many of our recommendations have been previously reported. The Commission has made little progress in addressing our previous recommendations.

During the year, the Commission lacked an adequate governance process, an adequate written analysis of its human resource needs and strategies to address those needs, adequate written guidance for staff to follow, staff compliance with written guidance, and supervision of staff. We make several recommendations to help the Commission establish adequate processes.

Introduction

The Ministry of Education (Ministry) provides direction for Prekindergarten – Grade 12 education. As well, the Ministry provides leadership to the early learning and child care, literacy, and library sectors. These supports are intended to be an investment in student achievement and the well-being of all Saskatchewan children and youth, and the enhancement of literacy for all Saskatchewan people[1]. *The Education Act, 1995*, *The Child Care Act*, and *The Public Libraries Act, 1996* set out the Ministry's responsibilities.

The Ministry is also responsible for certain special purpose funds and agencies including the Teachers' Superannuation Commission (Commission). Our 2008 Report – Volume 3 reports the results of our audit of the Ministry, and its special purpose funds and agencies for the year ended March 31, 2008. Our 2008 Report – Volume 3 did not include the results of our audit of the Commission because we had not completed our audit.

This chapter sets out the results of the audit of the Commission and the pension and benefit plans it manages for the year ended June 30, 2008.

Teachers' Superannuation Commission

The Commission operates under the authority of *The Teachers Superannuation and Disability Benefits Act*. The Commission consists of seven members appointed by Cabinet. Three of the members are nominated by Saskatchewan Teachers' Federation, three by the Ministry of Education, and the Commission's Chairperson is nominated by the other six members.

The Commission administers the Teachers' Superannuation Plan (Pension Plan) established under *The Teachers Superannuation and Disability Benefits Act*. The Pension Plan consists of the Teachers' Superannuation Fund, a defined benefit final average pension plan, and the Voluntary Contributions Fund that invests voluntary member contributions.

[1] Ministry of Education, 2007-2008 Annual Report, pg.4.

For the year ended June 30, 2008, the Pension Plan recorded contributions of $11.7 million from teachers and $44.0 million from the Minister of Finance. At June 30, 2008, the Pension Plan held total assets of about $1.5 billion and had accrued pension benefits (benefits owing) of almost $5.0 billion resulting in an unfunded pension liability of $3.5 billion. The Commission's June 30, 2008 Annual Report includes the Pension Plan's financial statements.

In addition to the Pension Plan, the Commission also administers the following benefit plans for teachers and their spouses and dependents.

- Teachers' Disability Plan (Disability) established under *The Teachers Superannuation and Disability Benefits Act*
- Teachers' Dental Plan (Dental) established under *The Teachers' Dental Plan Act*
- Teachers' Group Life Insurance Plan (Group Life Insurance) established under *The Teachers' Life Insurance (Government Contributory) Act*

The Commission is required to provide the Ministry of Education and the Legislative Assembly with the financial position and results of all the plans it administers. The Commission does not prepare financial statements for the Disability, Group Life Insurance and the Dental plans.

The Commission receives money from the General Revenue Fund to pay for these benefit plans. In 2007-08, the Commission received and paid $5.8 million in Disability claims, $8.9 million in Dental claims, and $3.8 million in Group Life Insurance claims. Teachers do not pay for Disability and Dental benefits and pay half of the premiums required for Group Life Insurance. The Commission has hired an insurance company to help administer the Dental and Group Life Insurance plans.

Audit conclusions and findings

In our opinion, for the year ended June 30, 2008:

- the Commission had adequate rules and procedures to safeguard public resources except for the matters described below

- the Commission complied with authorities governing the Plans' activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described below
- the Teachers' Superannuation Plan's financial statements are reliable

Governance processes need improvement

In our 2008 Report – Volume 1, we recommend the Teachers' Superannuation Commission develop and implement a strategic plan that includes its goals and objectives, a summary of the key risks it faces, and key strategies to manage those risks.

The Standing Committee on Public Accounts (PAC) considered this matter in June 2008 and agreed with our recommendation.

In June 2008, the Commission approved its strategic plan and risk assessment. The Commission now needs to implement the strategic plan including its risk strategies to manage its key risks.

We continue to recommend the Teachers' Superannuation Commission implement its strategic plan and key strategies to manage its key risks.

Management told us that the Commission approved a revised strategic plan in December 2008 after approving a revised risk assessment and management plan.

Also, in our 2008 Report – Volume 1, we recommend the Teachers' Superannuation Commission comply with its governance manual. PAC considered this matter in June 2008 and agreed with our recommendation.

In June 2006, the Commission approved a governance manual that outlines its governance processes. The Commission was not following all of the approved processes. The governance manual requires the Commission to define and communicate to management the financial and operational information the Commission needs to oversee all of its operations.

In June 2008, the Commission defined its regular financial reporting needs for overseeing the administration of the benefit plans. The Commission needs to ensure management complies with its reporting needs so that the Commission regularly receives the operating results and financial position for each of those benefits plans. Without complete financial information, the Commission may not be able to fulfill its oversight responsibilities.

We continue to recommend the Teachers' Superannuation Commission comply with its governance manual.

Management told us that the Commission has communicated its financial reporting requirements to management. Management also told us it plans in 2008-09 to provide quarterly financial and operational reports to the Commission.

Human resource plan needed

In our 2008 Report – Volume 1, we recommend the Teachers' Superannuation Commission identify its human resource needs and develop strategies to address any competency gaps. PAC considered this matter in June 2008 and agreed with our recommendation. The Commission made limited progress in developing a human resource plan.

When employees do not have the needed competencies, they may hesitate to do assigned tasks or do them incorrectly. For example, staff did not follow some of its control processes when management positions became vacant. Also, the Commission operated through the year without sufficient accounting expertise to maintain proper financial records and reports.

We continue to recommend that Teachers' Superannuation Commission identify its human resource needs and develop strategies to address any identified competency gaps.

After the year-end, the Commission along with the Ministry of Education and the Public Service Commission hired some senior managers including a Senior Manager of Financial Operations with an accounting designation. Also, the Commission worked with the Ministry of Education and the Public Service Commission to determine some of the staff

positions and job descriptions, but did this without formally assessing its human resource needs and the strategies required to address the competency gaps.

Control over cash and bank accounts needed

The Commission needs to establish adequate processes to control cash receipts, payments, and its bank accounts. Without adequate processes, the risk of losing public money increases.

In our 2008 Report - Volume 1, we recommend the Teachers' Superannuation Commission establish and communicate to staff policies and procedures that control public money relating to its benefit plans. PAC considered this matter in June 2008 and agreed with our recommendation. The Commission has made little progress in addressing this recommendation as described in our findings below.

Segregation of duties needed

The Commission does not adequately segregate the duties of its employees receiving cash and making payments. The lack of adequate segregation increases the risk of a loss of cash receipts, incorrect benefit payments, and the lack of timely detection of errors in the financial records.

For all plans, one employee receives and deposits the cash receipts. This employee also maintains the financial records for the Pension Plan. For the Dental Plan, another employee determines which teachers are eligible for benefits, requests and approves payments, and maintains the financial records. Management does not review the work of these employees.

1. We recommend the Teachers' Superannuation Commission segregate the duties of employees responsible for the receipt and payment of public money to reduce the risk of errors or fraud.

Management told us it has begun reviewing procedures and the assignment of duties to staff to ensure an adequate segregation of duties.

Payments without support

The Commission made payments to an insurance company for dental benefits and administration of those benefits without proper support. Without adequate processes to pay benefits and proper support for payments, the Commission is at greater risk of making incorrect payments.

The Commission has an agreement with an insurance company to administer teachers' dental benefits. The Commission makes monthly payments to the insurance company for administering and paying teachers' dental benefits. However, it makes these payments without adequate invoices showing the amount of dental benefits paid and the costs of administration. Also, the Commission has not verified the invoices to the monthly report of dental benefits paid. For the year ended December 31, 2007, the Commission paid the insurance company $8.9 million for dental benefits paid and administration fees.

In addition, the Commission does not verify the interest it pays on group life insurance benefits. The Group Life Insurance Plan requires the Commission to pay interest from the date of death to the date of payment on the benefits. For the year ended August 31, 2008, the Commission paid group life insurance benefits of $3.8 million.

The Commission lacks adequate processes to pay pension benefits. *The Teachers Superannuation and Disability Benefits Act* sets out how to calculate pension payments. In one instance, we detected that the Commission incorrectly calculated the pension for a member whose salary exceeded the maximum pensionable salary. Although, the retired member's pension is greater than it should be, the Commission collected contributions on the salary that exceeded the maximum pensionable salary, which it refunded in December 2008. Management reviewed this calculation error and determined there were no other similar errors. We reviewed management's work and agree with its findings. Management told us that the pension overpayment resulting from this error was recovered in December 2008.

The Commission has agreements with other provinces allowing members to transfer their pensions into the Pension Plan. The Commission uses an actuary to help it determine the amount of money the members and other

provincial pension plans need to pay into the Commission's pension plan. The amount paid by the members depends on their number of years of service and salaries. The Commission did not check that the salaries used were correct. As a result, the Teachers' Superannuation Plan received about $232,000 less than it should have from several members transferring into the Pension Plan. The Commission recovered about $74,000 from the members' transferring pension plans. The remaining shortfall arises from members that have retired since they transferred into the Pension Plan. These members are receiving a pension that exceeds what they are entitled to under *The Teachers Superannuation and Disability Benefits Act*.

2. We recommend the Teachers' Superannuation Commission have adequate support for all payments.

3. We recommend the Teachers' Superannuation Commission comply with *The Teachers Superannuation and Disability Benefits Act* when paying pension benefits.

Management told us it plans to implement a reconciliation of the amount paid and amount charged by the insurance company for administration and paying of teachers' dental benefits. Management also told us it plans to implement procedures to review with the actuary interprovincial agreements to ensure the correct salary is used for teachers transferring into the Pension Plan.

Contributions into and payments out of the Teachers' Superannuation Fund lack authority

The Commission deposited money into the Teachers' Superannuation Fund (Fund) and made payments out of the Fund for disability benefits without authority.

Section 9 of *The Teachers Superannuation and Disability Benefits Act* (Act) allows the Teachers' Superannuation Fund to accumulate contributions from teachers, contributions from the General Revenue Fund, and investment income to pay pension benefits. The contributions and investment income are specifically for providing pension benefits. The Act does not allow the Fund to receive money to pay disability

benefits. Section 38 of the Act indicates that disability benefits are a charge and payable from the General Revenue Fund.
During the year, the Commission received money from the General Revenue Fund to pay disability benefits. It deposited $5.8 million into the Fund's bank account. The Commission also paid disability benefits from the Fund's bank account. As a result, the Commission did not comply with *The Teachers Superannuation and Disability Benefits Act*.

4. We recommend the Teachers' Superannuation Commission comply with *The Teachers Superannuation and Disability Benefits Act* by not putting disability contributions into and making disability payments out of the Teachers' Superannuation Fund.

Management told us it is setting up a process to receive contributions and make disability payments outside of the Fund.

Need to reconcile bank accounts

The Commission does not reconcile its bank accounts to its financial records promptly. Also, there is no independent review and approval of the reconciliations. As a result, the Commission is at risk of losing money and having incorrect financial records.

Regular reconciliation and review of recorded bank balances to bank records provides a check that all charges to the bank accounts are proper and the entity has received all money and deposited it in the right bank account.

The Commission has established a policy to reconcile its recorded bank balances to the bank's records promptly. The policy includes an independent review and approval of completed bank reconciliations.

However, employees did not reconcile all bank accounts promptly. For example, the Commission did not begin reconciling the group life insurance and dental bank accounts until April 2008. Also, the Commission could not provide us evidence of review and approval of all monthly bank reconciliations for all of its bank accounts.

5. We recommend the Teachers' Superannuation Commission follow its rules and procedures for reconciling its bank accounts to its financial records.

Management told us it now prepares, reviews, and approves monthly bank reconciliations on a timely basis.

Commission needs to monitor cash flows

The Commission does not have adequate processes to forecast its cash needs to pay pensions and other benefits and to manage cash shortfalls. Without adequate processes, payments may be delayed, investments may be sold at a loss, or money may be borrowed without authority.

The Commission provides pensions and disability, dental, and group life insurance benefits to teachers. The Commission uses teachers' and General Revenue Fund contributions, investment income, and proceeds from the disposal of investments to pay for benefits.

The Commission does not have written guidance for staff to follow for forecasting its cash flow needs and to manage any cash shortfalls. During the year, the Commission did not have enough cash on several instances to pay for pensions, disability benefits, and dental benefits. Staff also did not inform senior management and the Commission of these cash shortfalls. As result, the Dental Plan bank account was in overdraft most of the year with overdrafts ranging between $1,000 and over $800,000. The Pension Plan's bank accounts were overdrawn on several instances with the overdrafts ranging from $90,000 to over $360,000.

The Commission based on a forecast of contributions and benefit payments requested additional contributions from the General Revenue Fund of $53 million. Five months later, it returned $46 million to the General Revenue Fund.

To deal with cash shortfalls, *The Financial Administration Act, 1993* allows the Commission to establish a line of credit with a bank. The Commission has not established a line of credit with a bank. We reported in our 2008 Report – Volume 1 that the Teachers' Superannuation Commission needs to obtain approval for bank overdrafts as required by

The Financial Administration Act, 1993. PAC concurred with our recommendation in June 2008.

6. We recommend the Teachers' Superannuation Commission establish adequate processes for managing its cash flow needs.

Management has told us that it has reviewed and strengthened its rules and procedures for monitoring cash flows and bank balances. It also told us that after identifying the cause of the forecasting error, it has developed a model that uses plan experience to assist in forecasting pension contributions from the General Revenue Fund.

We continue to recommend the Teachers' Superannuation Commission seek approval for borrowing as required by *The Financial Administration Act, 1993*.

Monitoring of investments needed

The Commission does not have adequate processes to ensure the existence, proper value, and recording of investments. This increases the risk that the Commission may not promptly detect investments that are missing, incorrectly valued, and incorrectly recorded in the financial records. This may lead to incorrect decisions.

The Teachers' Superannuation Plan has investment holdings of about $1.5 billion in bonds, Canadian and foreign equities, private equities, pooled funds, money market securities, real estate, and mortgages.

The Commission is responsible for safeguarding and investing the money of the Pension Plan. The Commission retains a custodian for safekeeping investments, collecting investment income, and completing and recording investment transactions. The Commission has delegated day-to-day responsibilities for deciding when to buy or sell its investments to professional investment managers. These investment managers provide direction to the custodian to buy or sell investments. To ensure the custodian accurately accounts for all transactions that investment managers authorized, the Commission must regularly reconcile the custodian's investment holdings to those reported by the investment managers. To help the Commission assess existence of investments, it

should review the reconciliation and obtain assurance from the custodian as to the adequacy of its processes for safeguarding its investments.

The Commission has written guidance that requires it to reconcile quarterly investments reported by the custodian and investment manager to the Commission's financial records based on both cost and market value. However, staff did not follow the Commission's accounting policies to record its investments on a market value basis. As a result, for the first three quarters of the year, it did not reconcile the custodian and investment manager reports to the financial records on a market value basis. Also staff did not obtain assurance from the custodian as to the adequacy of its processes for safeguarding the Pension Plan's investments.

The Commission did not follow its established procedures to verify the value of real estate investments totalling approximately $185 million. The custodian receives information about the holdings and their values directly from the investment manager. The Commission's policies require staff to review a sample of quarterly independent appraisal reports, ownership interests, and audited annual financial reports for its real estate property. The Commission's staff only performed this review twice during the year. Management did not monitor staff to ensure they were doing the reviews. As a result of the staff not following its policies and procedures we detected that real estate was understated by $0.4 million.

The Commission holds over $23 million in private equity investments. The Commission has not established written policies and procedures to ensure the proper value and recording of these investments. Because the Commission had not established policies and procedures the Plan's private equity was understated by $5 million.

7. We recommend the Teachers' Superannuation Commission establish adequate processes to verify investments exist, are properly valued, and recorded in its financial records.

Management told us that beginning in August 2008 it now requires staff to maintain financial records and to reconcile them to the investment manager and custodian records quarterly. In addition, management told us it is working with the custodian and private equity manager to obtain timely information on the Commission's investment holdings.

Processes to oversee actuarial valuations needed

The Commission did not follow its written guidance to ensure the data used in the actuarial valuation of the accrued pension and disability benefits are accurate. Also, it did not assess the reasonableness of changes to assumptions and gains and losses due to actual plan experience differing from that expected. This increases the risk the accrued pension and disability benefits (benefits owing) reported in the Commission's financial reports are incorrect and that it uses inaccurate financial reports to make decisions.

Pension plans need periodic actuarial valuations of their pension obligations to prepare their periodic financial reports. To calculate the pension obligations, actuaries use data that pension plans provide. Management is responsible to ensure it provides complete and accurate data to the actuary and the actuary uses this data. Management also needs to assess the reasonableness of the method, changes in assumptions, and experience gains or losses calculated by the actuary.

The Commission hired an actuary to value the Pension Plan's accrued pension and disability benefits and related plan assets. Management provided the actuary with accurate data. However, the Commission did not verify that the actuary used the data provided until we told them this would be necessary to complete our audit of the pension and disability plans' financial reports. The Commission also did not review the actuary's reports to ensure the actuary used the data provided and that changes in assumptions and experience gains and losses were reasonable. As a result, we found the actuarial report presented for audit contained errors about the data used. The discount rate the actuary used for calculating the accrued disability benefits assumed the Disability Plan had an investment portfolio (the Disability Plan has no assets).

The actuary's reports also provide important information for the General Revenue Fund financial statements and the Summary Financial Statements. The Commission overstated the actuarial value of plan assets by $5 million at March 31, 2008 disclosed in the Summary Financial Statements and General Revenue Fund financial statements.

8. We recommend the Teachers' Superannuation Commission follow its written guidance for preparing valuations of

accrued pension and disability benefits and related plan assets.

Processes for preparing financial reports needed

The Commission does not have adequate accounting policies and procedures to prepare accurate interim and annual financial reports.

Without adequate accounting policies and procedures, there is a greater risk staff may not prepare accurate and timely financial reports.

In our 2008 Report – Volume 1, we recommend the Teachers' Superannuation Commission establish complete and written guidance for preparing its interim and year-end financial reports. PAC considered this matter in June 2008 and concurred with our recommendation.

During the year, the Commission made no progress in improving its written guidance for preparing its interim and year-end financial reports. As a result, staff did not record contributions, premiums, investment expenses, benefits paid, amounts owed to others, and owing from others in the financial records. Staff recorded these items for the Pension Plan in the financial records in July and August 2008.

For the year-ending June 30, 2008, the Commission had not yet prepared financial records for the benefit plans. Further, senior management and the Commission did not receive financial reports needed for decision making. The lack of accurate and timely financial records prevented the staff from preparing accurate interim financial reports for senior management and the Commission.

We continue to recommend the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports.

Management told us that it is preparing complete written guidance for staff to follow in preparing interim and year-end financial reports. Management also told us that in January 2009, it began preparing complete financial reports. In addition, management told us it plans to prepare financial statements for the Dental Plan and Group Life Insurance Plan for 2008 to be tabled in the Legislative Assembly.

Complete annual report needed

The Commission provides limited information about the Group Life Insurance, Dental, and Disability Plans and does not provide complete financial statements for those plans to the Legislative Assembly. Also, the annual report does not describe the goals and objectives of the benefit plans, the cost of providing those benefits, and who pays for them. Without this information legislators, plan members, and the public cannot assess the plans' performance and the Commission's effectiveness in administering these programs.

The Teachers Superannuation and Disability Benefits Act requires the Commission to submit to the Minister a report on the activities of the Commission for the preceding year and financial statements showing the business of the Commission.

In our 2008 Report – Volume 1, we recommend the Teachers' Superannuation Commission's annual report include a report on the activities and the financial statements of each benefit plan the Commission administers. PAC considered our recommendation in June 2008 and concurred with it.

The Commission provides to the Legislative Assembly in its annual report audited financial statements for the Teachers' Superannuation Plan and limited financial and operational information on the other benefit plans the Commission administers.

We continue to recommend the Teachers' Superannuation Commission's annual report include a report on the activities and the financial statements of each benefit plan the Commission administers.

Management has requested that we audit the financial statements of the Group Life Insurance Plan for the year ended August 31, 2008. Management also told us it plans to prepare a separate report on the activities of the Group Life Insurance Plan and submit the report and the audited financial statements to the Legislative Assembly.

In addition, management has requested that we audit the financial statements of the Dental plan for the year ended December 31, 2008. Management plans to include the Dental Plan's audited financial statements and report along with the Teachers' Superannuation Commission's June 30, 2009 annual report.

Finance

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Main points

The Ministry of Finance manages almost $5 billion of investments for the General Revenue Fund, the Growth and Financial Security Fund, and several other agencies. Finance sets aside a significant amount of money in investments to repay the Government's debt. The success of its investing activities can have a significant impact on the Government's financial position.

Finance has not sufficiently set out its investing expectations to enable it to evaluate its performance in managing investments. While it has investment guidelines, it does not report on its compliance with those guidelines. Also, the public does not receive reports on the performance of Finance's investing activities.

Where Finance carries out investing activities for others, it has not agreed with them, in writing, on their roles and responsibilities. Also, because of low turnover of staff who carry out investing and borrowing activities, Finance has not sufficiently documented its procedures. To protect itself from a possible disruption of investing and debt management services in the event of staff turnover, it should document these procedures.

Finance is responsible for 25 special purpose funds and agencies. This report covers 17 of those funds and agencies with a December year-end. These agencies have reliable financial statements, have complied with the law, and have adequate rules and procedures with the following exceptions.

For six employee benefit plans, the Public Employees Benefit Agency did not review or approve monthly bank reconciliations and journal entries on a timely basis. The Agency needs to set policies for the preparation and approval of bank reconciliations and journal entries.

Introduction

The Ministry of Finance (Finance) helps the Government manage and account for public money. As part of these duties, Finance administers and is responsible for several special purpose funds and agencies.

Special purpose funds and Crown agencies

Finance is responsible for the following special purpose funds and agencies.

Year ended December 31
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Group Life Insurance Fund
Saskatchewan Government Insurance Service Recognition Plan
Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Supplementary Superannuation Plan

Year ended March 31
Growth and Financial Stability Fund
General Revenue Fund
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

This chapter contains our audit conclusions and findings for the agencies with years ended December 31, 2008 and findings related to our audit work on the Ministry's treasury management activities. Our Office did this work at the request of the Deputy Minister of Finance and because of Finance's increased amount of investing activity. Our 2008 Report - Volume 3 includes the results of our audits of the agencies with years ending March 31, 2008.

Audit conclusions and findings

To form our opinions, our Office worked with Meyers Norris Penny LLP, the appointed auditor for Municipal Employees' Pension Commission and Deloitte & Touche LLP, the appointed auditor for Saskatchewan Pension Plan (Plan). We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[1]

We did not rely on Deloitte & Touche's opinion on the adequacy of the Plan's rules and procedures to safeguard public resources because it did not report the need to complete the documentation of the Plan's information technology processes. *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the reports of an appointed auditor. Our additional work consisted of reviewing the Plan's information technology security processes and discussions with management.

In our opinion, for the year ended December 31, 2008:

- Finance and its agencies with a December year-end had adequate rules and procedures to safeguard public resources except for matters reported in this chapter
- Finance and its agencies with a December year-end complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- the financial statements of agencies with a December year-end are reliable

[1] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

Employee benefit plans

Background

The Public Employees Benefit Agency (PEBA), a division of Finance, administers various employee benefit plans as authorized by Cabinet under *The Financial Administration Act, 1993*. The audit findings in this section relate to the following plans:

- Extended Health Care Plan
- Extended Health Care Plan for Certain Other Employees
- Extended Health Care Plan for Certain Other Retired Employees
- Extended Health Care Plan for Retired Employees
- Public Employees Disability Income Fund
- Public Employees Group Life Insurance Fund

Need adequate policies for bank reconciliations and journal entries

PEBA did not independently review or approve monthly bank reconciliations and journal entries on a timely basis.

Regular reconciliation and review of recorded bank balances to bank records provides a check that all charges to the bank accounts are proper, all money due is received, and deposits are made to the correct bank account. Furthermore, under Section 3610 of Financial Administration Manual,[2] agency officials are responsible to independently review monthly bank reconciliations and provide approval in writing.

The preparation and review of journal entries helps ensure that adjustments to recorded account balances are correct and authorized.

PEBA has written policies for the preparation and review of bank reconciliations and journal entries. However, these policies do not specify when this work must be done.

[2] The Financial Administration Manual communicates to ministries and public agencies, Treasury Board's policies and the Provincial Comptroller's directives for the control, management and accounting of government financial resources. It is available at http://www.finance.gov.sk.ca/fam.

For the six employee benefit plans listed above, we identified instances where PEBA did not promptly review and approve bank reconciliations and journal entries or leave evidence that independent reviews and approvals were done.

Without adequate policies governing the preparation and approval of bank reconciliations and journal entries, there is increased risk that PEBA may not promptly detect errors or fraud in the employee benefit plans' bank balances and accounting records.

1. We recommend the Public Employees Benefits Agency implement adequate policies governing the preparation and approval of bank reconciliations and journal entries.

Management informed us that timely reviews and approvals did not occur during the year because of higher than normal staff turnover and additional time required to hire and train new staff. Also, management told us that all bank reconciliations and journal entries have now been reviewed and approved.

Municipal Employees' Pension Commission

Background

The Municipal Employees' Pension Commission (Commission) administers the Municipal Employees' Pension Plan which provides retirement benefits to members. The Commission contracted PEBA to provide day-to-day administration of the Plan.

Disaster recovery plan needed

In our 2007 Report – Volume 1, we recommended the Commission have a written, tested, and approved disaster recovery plan. In June 2007, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

The Commission depends on its computer systems to provide critical services. These services include receiving and recording contributions from employers, handling transfers of funds, and providing benefit payments to members. The Commission must be able to provide these

services even if a disaster disrupts its operations and services. Without an adequate disaster recovery plan, the Commission may not be able to provide these critical services.

The Commission continues to develop a disaster recovery plan. In 2008, the Commission further documented its procedures for backup and recovery and tested the effectiveness of some of these procedures. Management told us it expects to complete the disaster recovery plan in 2009.

We continue to recommend the Municipal Employees' Pension Commission have a written, tested, and approved disaster recovery plan.

Saskatchewan Pension Plan

Background

The Saskatchewan Pension Plan (Plan) is a voluntary plan available to persons between 18 and 71 years of age. Contributions to the Plan are used to provide members with a pension at retirement.

The Plan's 2008 annual report includes its audited financial statements for the year ended December 31, 2008. In 2008, the Plan had contributions of $7.2 million, payments to pensioners of $7.5 million, and net assets of $160 million.

Security policies and procedures for information technology need improvement

In our 2008 Report – Volume 1, we reported that the Plan needed to approve information technology (IT) security policies and procedures that are based on a documented threat and risk assessment. In August 2008, PAC agreed with our recommendation.

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. The Plan's information system contains sensitive data including personal information on plan members.

The Plan has made significant progress on addressing this recommendation. It has drafted a new IT security policy for Board approval that is risk-based and sets out the key roles and responsibilities for security and its management. The Plan is working on documenting the security procedures needed to support this policy. Management told us it expects to complete this work by the end of 2009.

We continue to recommend the Saskatchewan Pension Plan approve information technology security policies and procedures that are based on a documented threat and risk assessment.

Treasury management

Background

Finance's Treasury and Debt Management Division manages the debt and cash position of the General Revenue Fund (GRF) and the Growth and Financial Security Fund. It also provides investment management services for the GRF and various other agencies (see Exhibit 1).

At March 31, 2008, Finance managed $4.7 billion in investments; these investments earned about $127 million in 2007-08. The table below sets out the investment totals and related income.

	Balance March 2008	Income 2007-08
	(millions)	
GRF – temporary investments	$ 666	$ 11
GRF – sinking funds[3]	1,359	62
Fiscal Stabilization Fund[4]	1,529	39
Saskatchewan Infrastructure Fund[4]	105	5
Investments managed for other agencies (see Exhibit 1)	1,115	10
Total	$ 4,774	$ 127

[3] Sinking funds are money set aside for the repayment of debt. The GRF holds this money primarily in long-term investments.

[4] On May 14, 2008, when *The Growth and Financial Security Act* came into force, investments previously held in the Fiscal Stabilization Fund and Saskatchewan Infrastructure Fund were transferred to the Growth and Financial Security Fund. By law, the General Revenue Fund receives any investment income earned on these investments.

Setting investment expectations and measuring performance

Finance has not set out its expectations in sufficient detail to make possible an evaluation of its performance in managing investments.

The Financial Administration Act, 1993 makes the Investment Board[5] (a committee of Cabinet) responsible for all matters relating to investments and provides Finance with broad guidance on the nature of permissible investments. Finance has approved investment guidelines (i.e., Sinking Fund Investment Policy and Money Market Investment Guidelines) that set out its investment philosophy, investment objectives, investment limits (e.g., asset mix, prohibited investments) and, on a broad basis, its risk tolerance. It uses the Sinking Fund Investment Policy to guide its investment activities for the Growth and Financial Security Fund.

Finance's investment guidelines are consistent with generally established investing practices except for the following areas. Finance's guidelines do not:

- set out either investment return expectations or benchmarking guidelines that could be used to measure the achievement of its stated investment objectives
- require periodic evaluation of investment performance
- require staff involved in investing activities to adhere to standards of ethical conduct (such as disclosure of conflict of interests or restriction on personal investing activities)
- for sinking fund investments, require monitoring and reporting on compliance with the guidelines
- set limitations on securities lending activities[6]
- require periodic reporting to senior management or Treasury Board on compliance with investment limits, assessment of investment risks (e.g., risks arising from changes in credit rating or liquidity), or overall investment performance.

Finance needs to set out measurable expectations so its investment activities can be evaluated. We noted that Finance provides the Deputy Minister with general information on capital market activities each week

[5] The Investment Board is not active; rather staff advised us that Treasury Board (which has the same members as the Investment Board) carries out the Investment Board's responsibilities.
[6] Securities lending is where one party lends its securities (investments) to another.

and the Deputy Minister and Treasury Board with quarterly comparisons of actual to budgeted investment income. We did not find evidence that the Deputy Minister and Treasury Board received information on whether the investing activities met expectations or information on the Government's exposure to investment-related risks (e.g., credit risk). Also, we did not find evidence that senior management expects its internal audit group to periodically review the Ministry's treasury management procedures.

2. We recommend the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance.

3. We recommend the Ministry of Finance report to its senior management (e.g., Deputy Minister) and Treasury Board, at least quarterly, on its compliance with its investment guidelines and expectations.

4. We recommend the Ministry of Finance periodically carry out an internal audit to assess and report to senior management on compliance with its investment guidelines and expectations.

A key part of treasury management is deciding when to borrow, invest, or repay debt. Finance continuously monitors the market and maintains a five-year forecast of cash flows (e.g., capital spending, sinking fund instalments, and debt repayments) and daily cash flow forecasts to help guide these trade-off decisions. It develops a high-level annual financing strategy reviewed by senior management and receives direction from Treasury Board and Cabinet. Finance officials also advised us that they try to anticipate the impact of the market on various borrowing options and provide reports to Treasury Board upon its request.

How the Government manages its investments is a critical aspect of managing its debt. Strategies that link debt management with investing activities increase the importance of minimizing the risk of loss on investments and earning a return on its investments that covers the cost of servicing the debt.

The Government typically sets aside money in sinking funds as a way to help it repay the debt. The Government has historically bought and held a small amount of its own debt as investments in sinking funds.

At March 31, 2008, just over 60% of investments that Finance managed were held in sinking funds and in the Growth and Financial Security Fund. The Government's investments held in sinking funds at March 31, 2008 equalled about 12% of the GRF gross debt[7] and are forecast to be 30% of gross debt at March 31, 2009. At March 31, 2008, about 32% of its investments in sinking funds were its own debt (i.e., Government of Saskatchewan debentures).

	March 31, 2008 Actual ($ in millions)	March 31, 2009[8] Forecast ($ in millions)
Gross debt	11,578	11,285
Investments held in sinking funds	1,359	3,351
Saskatchewan debt held as investments in sinking funds	442	526

In 2007-08, the Government borrowed $626 million and repaid $1,071 million.[9] In 2008-09, it expects to borrow $378 million and repay about $738 million of debt.[10]

At March 31, 2008, almost 91% ($10,355 million) of the gross debt was non-callable (i.e., cannot be redeemed before its maturity by the issuer) with an average coupon rate of 6.47%.[11] The remaining gross debt is callable and comprised almost entirely of Canada Pension Plan debentures ($799 million) maturing in up to 27 years with an effective interest rate of 8%.

[7] In this chapter, gross debt refers to borrowing with debt instruments such as promissory notes and Government of Saskatchewan debentures. It does not include other amounts the Government owes, e.g., amounts owed for pensions.
[8] Saskatchewan Provincial Budget 2009-10 Budget Summary, Government of Saskatchewan, p.61.
[9] Government of Saskatchewan – 2007-08 Public Accounts, p. 38.
[10] Saskatchewan Provincial Budget 2009-10 Estimates, Government of Saskatchewan, p.13.
[11] Compiled from Government of Saskatchewan – 2007-08 Public Accounts, Supplementary Information, pp. 110-114.

In the fall of 2008, the Government announced its plans to reduce debt. It stated "debt reduction will be implemented by setting aside amounts in sinking funds."[12] This strategy to reduce debt by primarily setting aside amounts in sinking funds as opposed to reducing debt by other means (such as calling existing debt, or buying and holding a greater amount of its debt as investments) increases the importance of monitoring the success of its sinking fund investing activities.

In 2007-08, Finance achieved the following average rates of return on its investments: sinking funds – 4.76%; Fiscal Stabilization Fund – 4.34%; Saskatchewan Infrastructure Fund – 4.46%. In the same time period, the average cost of servicing the GRF gross debt was 6.7%[13] with the interest rate on long-term debt issued during 2007-08 ranging from 4.20% to 4.65%.

Finance officials told us that they expected to earn a reasonable return on its sinking fund investing activities. We did not find evidence that Finance set out a measurable return approved by senior management. We did not find evidence that Finance regularly compared actual return on investments to an expected rate of return or to the cost of servicing its debt.

5. We recommend the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds.

Agreements for investment services needed

Finance has not completely documented its responsibilities when it provides investment services to other agencies.

Finance provides investment services for the agencies listed in Exhibit 1. At March 31, 2008, these agencies held investments totalling just over $1.1 billion. Finance notes that it has provided services to most of these agencies for many years.

[12] Available at: http://www.gov.sk.ca/adx/aspx/adxGetMedia.aspx?mediaId=602&PN=Shared (14 Apr 2009).
[13] Average cost of servicing gross debt using the effective interest rate. Per Public Accounts 2007-08 Volume 1 (p. 59), the GRF's total interest costs were $787 million.

Exhibit 1 - Agencies for which Finance manages investments

Government agencies:
Agricultural Credit Corporation of Saskatchewan
Saskatchewan Centre of the Arts
Crown Investments Corporation of Saskatchewan
First Nations and Métis Fund Inc.
Health Quality Council
Investment Saskatchewan Inc.
Municipal Financing Corporation
Public Employees Dental Fund
Saskatchewan Crop Insurance Corporation
Saskatchewan Housing Corporation
Saskatchewan Institute of Applied Science and Technology
Saskatchewan Telecommunications
Saskatchewan Watershed Authority
Various Extended Health Care Plans
Non-government agencies:
Meewasin Valley Authority
Regina Pioneer Village

For most of these agencies, their own legislation gives them authority to invest but limits the types of investments to those authorized for the investment of moneys in the GRF under *The Financial Administration Act, 1993*. For a few, such as the Health Quality Council, Treasury Board has the right to direct their investments. For a few others, such as Crown Investments Corporation of Saskatchewan, Cabinet has the right to appoint the Minister of Finance or another person to handle the agency's investing.

When agencies decide to use Finance to make their short-term investments, Finance meets with them to discuss their investment needs and provides them with a written summary that briefly outlines investment services it expects to provide.

The summary sets out some but not all of the responsibilities associated with the investment services. It sets out:

- who pays costs associated with making the investment (transaction costs)
- the agency's responsibility to have sufficient authority to make investments and to pay for all investment purchases
- the guidelines Finance uses when making investments (i.e., Money Market Investment Guidelines)
- the timing of Finance's daily investing procedures
- the reporting of investment transactions by Finance to the agency

The summary places the onus on the agency to inform Finance of any investing restrictions. However, the summary is silent with respect to Finance reporting to the agency on its compliance with the investing guidelines.

Also, as mentioned in the summary, the objective of Finance's Money Market Investment Guidelines is "to earn an optimal rate of return for clients over a market cycle, within acceptable risk tolerances." Finance has not defined or reached an agreement or common understanding with each of these agencies on the "optimal rate of return" or "acceptable risk tolerance." Also, Finance's reports to agencies do not set out the actual rate of return achieved or investment risk assumed through the investment portfolio.

Because most agencies have used Finance's services for many years, the importance of setting out the key roles and responsibilities of each party in writing is increased. Documentation helps ensure that, over time, each party continues to have a clear understanding of their respective roles and responsibilities. Also, it provides a way to make certain each party has a common understanding of the nature, timing, and scope of services to be provided and provides an efficient means to evaluate and adjust those services to address changes in needs.

6. We recommend the Ministry of Finance agree on respective roles and responsibilities, in writing, with agencies that receive its investment services.

Documenting procedures

Finance does not have comprehensive documented procedures of its investment and borrowing management processes (treasury management functions).

Because turnover of staff that carry out investing and borrowing activities within the Ministry is low, many of its processes are only partially documented. Working practices tend to be passed on from employee to employee as part of on-the-job learning, rather than being written down. As a result, a large amount of institutional knowledge of investing and borrowing processes is not adequately documented. We note that Finance maintains detailed guidance on its cash flow forecasting procedures.

Also, staff do not always document the completion of key procedures. For example, senior management do not leave evidence of their review of sinking fund activity reports. Lack of documented detailed procedures could hamper the ability of Finance to continue with little interruption in its treasury management functions in the event of staff turnover.

7. We recommend the Ministry of Finance document its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover.

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Government Services

6

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Main points

The Ministry of Government Services (Ministry) is responsible for all matters relating to public works including the responsibility to maintain buildings. The Ministry owns approximately 800,000 square metres of space in 476 buildings. The buildings the Ministry owns include provincial office buildings, highway storage and repair buildings, health-care facilities, technical schools, museums and art galleries, correctional centres, laboratories, courthouses, and historic properties.

The value and condition of buildings change over time due to physical deterioration. The consequences of not carrying out adequate building maintenance and repairs are loss of asset value, poor quality of working space, potential health and safety problems, and the probability of higher repair costs in the future.

The Ministry did not have adequate processes to maintain its buildings for the twelve-month period ended December 31, 2008. The Ministry needs to:

- ensure the information on its buildings is accurate, complete, and available
- approve adequate maintenance plans for all the buildings it owns
- sign adequate agreements with its clients that describe each of the parties' responsibilities
- ensure maintenance is effectively carried out on all of its buildings
- provide senior management adequate reports to monitor the process to maintain its buildings

Introduction—maintaining buildings

The Ministry of Government Services (Ministry) manages an extensive portfolio of buildings and provides centralized support services to government ministries and agencies. For the year ended March 31, 2009, the Ministry estimated expenses of $161.5 million and recoveries of $151.8 million from ministries and agencies for the operation and maintenance of buildings.[1]

The Public Works and Services Act sets out the Ministry's responsibility for all matters relating to public works including the responsibility to maintain buildings. The Ministry told us it owns approximately 800,000 square metres of gross exterior space in 476 buildings. This includes 105 buildings for which the Ministry has delegated the authority to do preventative maintenance to its clients (mainly other government agencies). The buildings the Ministry owns include provincial office buildings, highway storage and repair buildings, health-care facilities, technical schools, museums and art galleries, correctional centres, laboratories, courthouses, and historic properties.

The value and condition of buildings change over time due to physical deterioration. The Ministry uses a facility condition index (FCI), expressed as a ratio of the cost of deferred maintenance to the current replacement value of the building, to measure the condition of its buildings. The higher the FCI, the poorer the condition of the building. The Ministry's standards indicate that a building with a FCI of less than 5% is in good condition, 5 to 10% fair condition, 10 to 30% poor condition, and above 30% in critical condition. In 2008, the Ministry estimated the index for its portfolio of buildings to be 15.5%.[2] This represents approximately $327 million in deferred maintenance.

The consequences of not carrying out adequate building maintenance and repairs are loss of asset value, poor quality of working space, potential health and safety problems, and the probability of higher repair costs in the future.

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[1] *Saskatchewan Provincial Budget 2008-2009*, p.84.
[2] *Province of Saskatchewan Plan for 2009-10* – Ministry of Government Services, p.5.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry had adequate processes to maintain its buildings for the twelve-month period ended December 31, 2008.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

The exhibit below sets out the criteria that we used to assess the adequacy of the Ministry's processes. We based our criteria on international literature and the work of other auditors listed in the selected references. The Ministry agreed that the criteria are reasonable and attainable.

Exhibit – Audit criteria

To have adequate processes to maintain its buildings, the Ministry of Government Services should:
♦ Obtain reliable information on assets
♦ Develop a maintenance plan
♦ Carry out maintenance effectively
♦ Monitor performance

We concluded the Ministry of Government Services did not have adequate processes to maintain its buildings for the twelve-month period ended December 31, 2008.

Key findings by criterion

Obtain reliable information on assets

Collecting information about capital assets helps managers identify maintenance needs and make informed decisions. To obtain reliable information on assets, we expected the Ministry to:

- *identify assets that must be maintained*
- *assess asset condition and expected remaining service life*

- *assess risk that assets will not meet required service objectives*
- *determine value (cost/replacement value)*

The Ministry used four computer systems to document information about its buildings.

- The maintenance management system contained information on the asset location, age, equipment type, and manufacturer. The system also tracked work orders on equipment and building maintenance.

- The capital planning system contained information on location, condition, and data to forecast the risk, timing, and costs of significant replacements.

- The capital asset sub-ledger contained information on costs, estimated useful life, and depreciated value for financial reporting purposes.

- The property management system (i.e., the billing system) contained information on location, square meters, and the replacement value of assets.

Information is not readily comparable among these systems because common identifiers for assets are not used. For example, the property management system lists all the buildings in a complex (e.g., SIAST – Regina campus), the maintenance management system only reports one building number for a complex, and the capital asset sub-ledger has several asset numbers for some buildings.

The Ministry does not have processes to ensure the information in each system is accurate, complete, and comparable. As a result, the Ministry may not have adequate, readily available information to make informed decisions about its buildings.

The Ministry makes periodic building inspections to determine the condition of its buildings. The Ministry uses engineers, architects, or professional building condition assessors to do these inspections. These inspectors made recommendations to the Ministry on required significant maintenance including estimated costs and the timeline for maintenance.

Our audit found that the Ministry did not always update the information in its systems for significant projects on a timely basis. For example:

- The Ministry did not update deferred maintenance of $25.7 million for the Regina Correctional Center after completing the $51.5 million construction of a new building. The building was officially opened in August 2008. By March 2009, the Ministry had not completed itemizing the components of this building into its system nor determined the preventative maintenance schedule. The Ministry told us it has not received information from its design consultants.

- The Ministry did not update deferred maintenance of $4.6 million for Cooper Place (location of Ministry of Finance) after subsequent upgrades of $13.5 million over several years.

The Ministry used various industry methods to estimate the replacement cost of its buildings. We found that 56 buildings may not have reasonable estimated replacement costs. For these buildings, the deferred maintenance was greater than the estimated replacement cost of the building. One building had deferred maintenance of $1.9 million and a replacement cost of only $0.3 million. Another building had deferred maintenance of $10.2 million and a replacement cost of only $7.5 million. The Ministry needs to review its method for estimating the replacement cost of its buildings.

1. We recommend the Ministry of Government Services establish and implement processes to ensure the information on its buildings is accurate, complete, and available.

Develop a maintenance plan

Planning for asset maintenance helps an agency take targeted, timely action to keep assets more efficient and reliable for the lowest possible long-term cost. To develop a maintenance plan, we expected the Ministry to:

- *establish specific maintenance objectives (based on required level of service), strategies, and performance measures*
- *set maintenance priorities (short, medium, and long-term)*

- *estimate cost of strategies based on priorities (short, medium, and long-term costs)*
- *rank priorities against available resources (short, medium, and long-term)*

The Ministry "must ensure its buildings are kept in good condition to meet program needs and safety requirements."[3] The Ministry developed a preventative maintenance plan and maintenance strategy for 371 of the buildings it owns. The objectives of this plan were:

- to preserve and potentially extend building systems/equipment and /or component life
- to improve system operations (maintain design efficiencies)
- to reduce system/equipment/component breakdowns
- to provide a safe, efficient (cost effective) and comfortable working environment to clients
- to maintain assets in accordance with regulations

However, the Ministry had not developed specific performance measures to monitor the performance of its preventative maintenance program.

The Ministry did not develop a preventative maintenance plan for 105 of the buildings it owned. Examples of these buildings include provincial correctional facilities, a hospital in Swift Current, and a district care centre in North Battleford. The Ministry told us it had delegated the authority to do preventative maintenance for these buildings to its clients. However, the Ministry did not have adequate agreements that describe what preventative maintenance should be carried out. For these buildings, the Ministry did not receive or approve maintenance plans from its clients. As a result, the Ministry did not know if the preventative maintenance planned was adequate to maintain the buildings in a satisfactory condition on an ongoing basis.

[3] *Ministry of Government Services Plan for 2009-10*, p.5.

As described above, the Ministry does complete periodic building inspections to determine the condition of its buildings. The Ministry set maintenance priorities and estimated its buildings' costs over the short, medium, and long-term. The Ministry also identified and ranked significant projects to be included in its annual and five-year capital and maintenance plan. The annual work plan was done based on available funding.

2. We recommend the Ministry of Government Services approve adequate maintenance plans for all the buildings the Ministry owns.

3. We recommend the Ministry of Government Services sign adequate agreements with its clients that describe each of the parties' responsibilities.

Carry out maintenance effectively

To carry out maintenance effectively, we expected the Ministry to:

- *use recognized maintenance standards*
- *establish maintenance procedures consistent with standards*
- *track maintenance activities*

For the 371 buildings the Ministry owned and carried out its own preventative maintenance, the Ministry established maintenance procedures using industry and manufacturers' standards for preventative maintenance activities. The Ministry also established a branch, specializing in heating, ventilation, and air conditioning repairs, staffed with qualified trades persons. The Ministry used a system to track and manage preventative maintenance related activities.

The Ministry, however, for the 105 buildings it told us it had delegated the authority to do preventative maintenance to its clients, did not know if preventative maintenance was carried out. As stated above, the Ministry did not have adequate processes for preventative maintenance for these buildings. If adequate preventative maintenance does not regularly occur, more significant repairs, at a higher cost, will likely be required later.

4. We recommend the Ministry of Government Services have processes so that maintenance is effectively carried out on all of its buildings.

Monitor performance

To monitor performance, we expected the Ministry to:

- *analyze reports on progress*
- *review results*
- *use information to adjust plans*

The Ministry's senior management received and reviewed monthly financial reports on operating expenditures and significant maintenance projects. It also received annually the facility condition index to monitor the sustainability of its building portfolio. On a bi-annual basis, senior management receive the results of a client satisfaction survey to monitor client satisfaction with its services. However, these reports are not sufficient for senior management to adequately monitor the process to maintain its buildings.

The Ministry did not establish specific performance measures to monitor performance of its preventive maintenance program. The Ministry also did not establish performance objectives or measures for the 105 buildings it told us it had delegated the authority to perform preventative maintenance.

As indicated above, senior management did not approve the preventative maintenance plan for 105 of its buildings. And, senior management did not receive any analysis of the preventative maintenance work carried out on these buildings.

Also, the information on its buildings (i.e., deferred maintenance, replacement cost) used to calculate a key performance measure, the facility condition index, may not be accurate and complete.

5. We recommend the Ministry of Government Services provide senior management adequate reports to monitor the process to maintain its buildings.

Glossary

Current replacement cost – The total expenditure in current dollars required to replace any building, inclusive of construction costs, design costs, project management costs, and project administrative costs.

Deferred maintenance – The total dollar amount of existing maintenance repairs and required replacements (capital renewal), not completed when they should have been, not funded in the current fiscal year, or otherwise delayed to the future.

Gross exterior space – the sum of the floor areas on all levels of an organization's buildings measured from the outside faces of exterior walls.

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Information Technology Office

7

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Main points

In 2004, the Government directed the Information Technology Office (ITO) to begin delivering information technology (IT) services to ministries. Ministries previously provided these services for themselves. The consolidation was intended to improve IT services and save money. The consolidation involved significant risks because IT is an integral part of delivering many government programs and services and because the consolidation required significant organizational change.

At March 31, 2008, the consolidation of IT services into ITO was largely complete. Our audit objective was to assess whether, by that date, ITO delivered intended service improvements through IT consolidation and provided those services at a lower cost. We intended to examine evidence comparing changes in services and costs to a baseline or starting point. However, the evidence was incomplete and not verifiable, and we were not able to conclude on the objective.

The Government should have set out an overall business plan for the consolidation, with an estimate of total costs, together with a method for measuring progress against the plan. This would have provided a basis for the Government to evaluate the success of consolidation. We make recommendations for improvements in the areas of client satisfaction, applications and application support, and responding to service requests.

Measuring the benefits of IT consolidation

Over the past four years, the delivery of information technology (IT) services within government ministries has changed dramatically. During this period, the Information Technology Office (ITO) began providing IT services that government ministries previously provided for themselves. The Government's goal for this change was to improve service and lower costs. We examined whether at March 31, 2008 ITO improved IT services through consolidation and provided those services at a lower cost. This chapter sets out the conclusion and key findings of our audit.

Background

In December 2004, *The Information Technology Office Regulations* formally established ITO as a ministry of government.[1] Before that time, ITO had existed as a branch of another ministry. The regulations give ITO a broad mandate that includes implementing government IT policies and programs, delivering IT services to ministries and charging for those services, and setting and enforcing security policies.

In 2004, the Government directed ITO to work with ministries to restructure how government uses IT. The Government did not have an overall business plan that set out the expected costs, benefits, and risks of consolidation of IT services into ITO. The consolidation built on a pilot consolidation involving several ministries.

Consolidation included ITO:

- operating and managing central IT infrastructure such as networks and servers
- providing help desk services
- developing applications
- providing project management on IT projects
- obtaining, distributing, and managing IT hardware and software

At March 31, 2008, the consolidation of IT services into ITO was largely complete. Exhibit 1 lists ITO ministry clients at March 31, 2008.

[1] Now *The Information Technology Office Regulations, 2007*.

Exhibit 1—ITO ministry clients at March 31, 2008

Advanced Education, Employment and Labour
Agriculture
Corrections, Public Safety and Policing
Education
Energy and Resources
Environment
Enterprise and Innovation
Executive Council
Finance
First Nations and Métis Relations
Government Services
Highways and Infrastructure
Information Technology Office
Intergovernmental Affairs
Justice and Attorney General
Municipal Affairs
Public Service Commission
Social Services
Tourism, Parks, Culture and Sport

Planned benefits

ITO has outlined many benefits that IT consolidation would deliver.[2] These included reduced IT costs, improved efficiency and effectiveness of IT service delivery, enhanced security, transformation of government business processes, and improvements in citizen/business service delivery.[3] The ultimate goal, according to the Government in 2004, was to "enable government to provide better and more cost-effective services to citizens and businesses."[4]

Other governments have pursued consolidation as a method of delivering IT services and managing costs. Exhibit 3 describes risks and benefits relating to differing approaches to IT, ranging from a decentralized approach to fully consolidated IT services.

[2] Benefits were described, for example, in performance plans, annual reports, media releases, and in appearances before legislative committees.
[3] See, for example, Government of Saskatchewan News Release November 24, 2004, "Strategic Information Technology Agenda Enhanced", and 2005-2006 Provincial Budget Performance Plan, Information Technology Office, pp. 7, 10-11.
[4] 2005-2006 Provincial Budget Performance Plan, Information Technology Office, p. 7.

Managing risks of consolidation

Accomplishing change is difficult. IT projects are inherently risky, especially ones that depend on organizational change. These projects often fail to deliver intended benefits or fully meet intended goals. ITO's consolidation project involved significant organizational change in delivery of government IT services.

Because IT is an integral part of delivering many government programs and services, changes to how IT services are managed and delivered pose significant risks. Changes to IT service delivery that result in service issues could interfere with ministries delivering services effectively and achieving their objectives.

IT spending by ITO and ministries is significant, both for the cost of consolidation and for ongoing IT service delivery. ITO's annual reports indicate that its costs for the consolidation from 2004-05 to 2007-08 were $7.5 million. This amount does not include costs incurred by ministries for consolidation. The Government's 2008-09 Budget Estimates indicate that ITO will charge ministries more than $50 million for IT services annually. This amount does not include other IT costs incurred by ministries.

ITO and ministries managed risks associated with consolidation by following a structured process. After preliminary discussions with ministries on bringing them into the ITO service delivery model (partnership), ITO examined the state of IT within the ministries. ITO used this due diligence process to create business cases for the ministries. The business cases described issues facing the ministries, including:

- Aging computers
- Many different models of computers
- Multiple operating systems
- Multiple versions of common programs
- Multiple networks in single organizations
- Lack of long-term plans for hardware, software, applications
- Lack of standard processes for purchasing, security, maintenance

The business cases set out planned benefits that the partnership would deliver. The documents described expected cost savings and service benefits for each ministry (although, as described below, there was

limited performance-related information that could serve as a baseline for measuring changes).

ITO and ministries then reached an agreement called a project charter that set out the tasks, timing, and controls over each ministry's partnership with ITO. Through the project charters, ministries approved the conclusions that ITO had reached on the benefits of consolidation for the ministry. This process provided the foundation for bringing ministries into the partnership.

Audit objective and criteria

The objective of this audit is to assess whether at March 31, 2008 the Information Technology Office (ITO) improved information technology (IT) services through consolidation and provided those services at a lower cost.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

The exhibit below sets out the criteria. These criteria are based on our related work and reviews of literature (set out in the selected references). ITO agreed with the criteria.

Exhibit 2—Audit criteria

For the Information Technology Office (ITO) to have improved information technology (IT) services through consolidation and provided those services at a lower cost, we expected ITO to have:

- delivered service improvements
  - achieved intended benefits
  - measured against baseline
  - met client needs
- reduced IT costs
  - achieved intended cost savings
  - measured against baseline
  - included all costs

Conclusion

In the absence of reliable performance measures and costs relating to IT services for periods before and after consolidation, we are not able to determine whether at March 31, 2008, the Information Technology Office had improved information technology (IT) services through consolidation and provided those services at a lower cost.

To determine whether ITO delivered intended service improvements through IT consolidation and provided those services at a lower cost, we intended to examine evidence comparing changes in services and costs to a baseline or starting point. However, the evidence was incomplete and not verifiable.

As stated earlier, the Government did not have an overall business plan for the consolidation of IT services into ITO. The Government should have set out its overall business plan for the consolidation, with its estimate of total costs, together with a method for measuring progress against the plan. This would have provided a basis for the Government to evaluate the success of consolidation. The absence of a business plan increases the risk of user needs not being met and increased costs.

As noted, business cases did exist at the ministry level. ITO worked with ministries to prepare business cases for each ministry. However, ministries had few quantitative performance measures that ITO could use to establish meaningful baselines. Also, ITO did not develop detailed baseline performance information. As a result, there was limited performance-related baseline information for measuring changes in services and costs.

For example, to establish a cost baseline, ITO gathered the IT costs for a ministry for the preceding five years to determine the ministry's average annual IT cost. Ministries reviewed and agreed with this cost information. However, it is not appropriate to compare this average (the "before" amount) against the amount ITO billed the ministry for services for 2007-08 (the "after" amount). IT services before and after consolidation are not the same. For example, ITO introduced new services not reflected in the earlier costs. In addition, according to ministries, some existing services (particularly applications and application support) have diminished.

Because of the limited performance-related baseline information, it is not possible to attach a reliable cost to the service changes.

Accordingly, we are not able to conclude on our audit objective. In the following section, we describe key findings related to:

- client satisfaction
- infrastructure and core services
- applications and application support
- responding to service requests

We also make recommendations for improvement.

Key findings and recommendations

Client satisfaction

In examining whether IT services have improved, we considered client satisfaction. As noted in the table at Exhibit 3, meeting user needs can be challenging under a consolidated approach to IT.

Annual satisfaction surveys are required in the service level agreements that ITO has with most of its clients. ITO reports that at March 31, 2006, the number of satisfied clients was 78.3%. At March 31, 2007, the percentage was 64.8%. ITO reports that a figure was not available for 2008 due to timing of the 2007 provincial election.[5]

We interviewed officials from a broad cross-section of ministries to determine whether they found that there had been service improvements. Our interviews showed dissatisfaction with ITO's services. However, several interviewees acknowledged improvement in specific areas (see "Infrastructure and core services").

The experience of ministries varied considerably depending on when they joined the partnership. Ministries that joined later expressed less dissatisfaction. ITO and ministries adapted their processes as consolidation progressed. In addition, ministries who joined later benefited from the experience of those who joined early. ITO and

[5] Information Technology Office, 2007-08 Annual Report, p.11.

ministries revised existing agreements to reflect later improvements reached with other ministries.

One of the principal features of consolidation was that IT staff in the ministries became ITO employees when ministries joined the partnership. In some cases, IT staff provided more than technical skills. They assisted ministries in analyzing and articulating their IT business needs. Several ministry officials told us that when these staff joined ITO, it impaired the ministries' ability to deliver programs and services effectively.

Ministries also advised that they regarded the overall IT capital planning and governance process as having improved. The revised processes require ministries seeking to undertake IT projects costing more than $250,000 to develop business cases for the projects. Ministries must seek approval from the Business Advisory Council, a group consisting of representatives from various ministries. The Council is charged with considering government-wide priorities, identifying opportunities for efficiencies (for example, by combining requests from different ministries), and making allocations.

Ministries told us that while the period after initial consolidation had been difficult, they were starting to see improvement. They said that significant improvement would take more time.

1. We recommend the Information Technology Office resume regularly measuring ministry satisfaction as agreed upon with ministries.

2. We recommend the Information Technology Office work with ministries to prepare joint action plans to address issues identified in satisfaction surveys, as required by its service level agreements.

3. We recommend the Information Technology Office assist ministries to build capacity to analyze their information technology requirements.

Infrastructure and core services

By infrastructure and core services, we mean the provision of basic computer and network services. This includes supplying desktop computers and network connections for client employees.

For infrastructure and core services, several ministries said that consolidation had delivered limited gains in the goal of improving efficiency and effectiveness of IT service delivery. Ministries identified benefits resulting from the adoption of uniform hardware and software, consolidation of servers, and faster acquisition of new equipment. Several ministries mentioned new services that ITO had made available, including improved access to systems and data from remote locations.

Several ministries identified security as an area where consolidation had delivered improvements. However, we note from our other work that ITO has more work to do on improving security. As reported in Chapter 12 of our 2008 Report—Volume 3, ITO had adequate controls to protect the security of client systems and data except that ITO needs to:

- establish information technology security policies for its clients
- protect its systems and data from security threats
- have a disaster recovery plan for its data centre and client systems

Without adequate controls in these areas, client systems and data remain at risk.

Applications and application support

By applications, we mean the software programs used by ministries to help them provide their services. Application support means maintenance of software programs and assistance in their use.

Ministries indicated that service after consolidation was worse in the area of applications and application support. Because the purpose of IT is to advance business goals and objectives, this presents a serious problem to these ministries and is a significant shortfall in service delivery.

Ministries observed that consolidation of IT services has made ITO responsible for supporting hundreds of applications, some of which are specific to the needs of individual ministries (i.e., custom applications). Ministries suggested that it is difficult for ITO to obtain economies of scale given the number and diversity of these applications. At the same time, standardization of applications, particularly custom applications, will require much additional time, effort, and cost.

4. We recommend the Government evaluate whether the Information Technology Office should provide ministries with application support for complex and custom applications.

Responding to service requests

Most ministries were of the view that ITO responded adequately to routine requests, such as password resets. They said that ITO response times were slower than they had experienced when IT services were in-house. However, they also observed that services were less dependent on availability of particular staff, a problem when they used in-house IT services.

Ministries further advised that when requests were not routine (i.e., when requests related to specific ministry needs and were not about basic system or network access) service was not adequate. The problems were most pronounced when ministries sought support for their complex and custom applications.

ITO provides monthly service reports to ministries. Ministries expressed the view that the information ITO provides in the service reports relates to routine requests and not to more complicated and time-consuming custom application support requests. Ministries did not view the service measures and targets in the reports as being relevant to their needs. However, we note that ministries have the ability to seek different service levels and measurement mechanisms.

5. We recommend the Information Technology Office agree with ministries on relevant service delivery measures and targets.

IT service delivery models

Exhibit 3—IT service delivery models

Issues	Decentralized IT Services	Shared Services Model	Fully Consolidated IT Services
Cost considerations	• Highest cost • Low economies of scale • Fragmented planning, budgeting and investment • Decentralized procurement; limited buying leverage	• Lower cost provider if you can win business • Middle of the road costs; economies of scale increase • Coordinated planning, budgeting, and investment • Capital investment dollars more centralized	• Lowest Cost • Cost equalization • Centralized procurement • Standardization lowers cost of operation, maintenance and support
Challenges	• Highly differentiated and difficult to coordinate • Variable standards & policies • Variable staff skills • Duplication of effort • Higher costs across government	• Promoting and marketing services • Managing service level agreements • Maintaining participation	• Slow process to implement • Continuous process • Detached from business units – limits understanding of business needs • Viewed as unresponsive to agency needs
Level of flexibility	• High departmental flexibility • Agencies have most control over planning, policy, budget, and operations • Most responsive to agency needs	• Strong measurement ability to show SLA [Service Level Agreement] adherence • Some differentiated levels of service flexibility	• Lower end user flexibility (usually highly standardized) • Often mandated • Inflexible • Limited agency influence
Concerns	• Fastest response to externalities • Disparity between the haves and the have nots	• Good marketing and customer service skills required • Hard for shared services provider to meet large department price points	• Doesn't change quickly • Funding model issues

Source: NASCIO [National Association of State Chief Information Officers] Issue Brief, March 2006, *IT Consolidation and Shared Services: States Seeking Economies of Scale*

Glossary

Application—A software program. This includes programs such as word processors, spreadsheets, and database programs, as well as customized applications developed or adapted for specific purposes.

Data centre—A central location for computer network hardware and software, especially storage devices for data.

IT infrastructure—An organization's computer and network assets.

Network—A group of computers that communicate with each other.

Server—A computer that hosts systems or data for use by other computers on a network.

Service level agreement—An agreement of one agency to provide IT services to another agency. Agreements usually specify the extent and quality of services to be provided.

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Liquor and Gaming Authority

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Main points

Liquor and Gaming Authority (Liquor & Gaming) is responsible for Saskatchewan Indian Gaming Authority Inc.'s (SIGA) spending. It approved the construction of SIGA casinos at Swift Current and Yorkton.

SIGA had adequate project management processes for the construction of the Living Sky Casino and the Painted Hand Casino except SIGA needs to:

- approve construction capital management policies for major construction projects
- develop and approve risk plans before starting major construction projects
- establish dispute resolution processes with its key partners before starting major construction projects

Liquor & Gaming continues to make progress in implementing our 2006 Report – Volume 1 recommendations to strengthen its processes to encourage responsible use of beverage alcohol but needs to do more. It needs to prepare a complete plan, including performance measures and targets, to evaluate its performance in encouraging the responsible use of beverage alcohol.

Liquor & Gaming has made progress in implementing our 2006 Report – Volume 3 recommendations to improve its succession planning processes. However, it still needs to document and communicate potential competency gaps and document and monitor the progress of its succession strategies.

Introduction

The Liquor and Gaming Authority (Liquor & Gaming) is a Crown corporation that operates under *The Alcohol and Gaming Regulation Act*. In addition to operating liquor stores and video terminals in the Province, Liquor & Gaming owns and manages the slot machines at Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos.

We reported the results of our audits of Liquor & Gaming and SIGA for the year ended March 31, 2008 in our 2008 Report – Volume 3. This chapter describes the results of our audit of SIGA's project management processes for the Living Sky Casino and the Painted Hand Casino projects. It also includes our Liquor & Gaming follow-ups on recommendations to strengthen its processes to encourage responsible use of beverage alcohol and recommendations to improve its succession planning processes that we made in previous reports.

SIGA's project management processes

SIGA is a non-profit corporation established by the Federation of Saskatchewan Indian Nations (FSIN) to operate casinos. SIGA operates five casinos under the 2002 Framework Agreement between the FSIN and the Government. Under the Agreement, SIGA has the sole right to establish casinos in Swift Current and Yorkton until 2027.

Living Sky Casino (Swift Current)

In October 2004, Liquor & Gaming approved SIGA's plan to establish a casino on the Nekaneet First Nation in Swift Current. In early 2006, SIGA signed an agreement with FHQ Casino Holdings Limited Partnership (FHQ Holdings)[1] for the development and lease of the new casino. The agreement requires FHQ Holdings to construct a building shell (i.e., a base building without any interior finishing) and then lease the land and building to SIGA. SIGA is responsible to complete the interior finishing necessary for a casino operation. Under the agreement, SIGA agreed to pay FHQ Holdings at least $9 million of the base building construction costs. These costs will be excluded when calculating the lease payments SIGA would pay to FHQ Holdings.

[1] FHQ is owned by the File Hills Qu'Appelle Tribal Council.

Under the agreement, on the second month after the building shell is completed, SIGA will commence lease payments to FHQ Holdings until June 10, 2027. The lease payments give FHQ Holdings a rate of return per year that is equal to the long-term Government of Canada bond rate in effect when the lease payments commence plus 9%.

SIGA's Board of Directors and Liquor & Gaming approved a budget of $36.25 million for the base building and interior finishing. During construction, the SIGA board and Liquor & Gaming approved a $1.25 million increase in the total budget due to unanticipated cost increases for stage equipment bringing the total revised budget to $37.5 million.

Work on the casino began in May 2007. SIGA planned to complete construction by the end of November 2008 and to open the casino on December 29, 2008. The casino opened on time and was completed within the amended budget.

Painted Hand Casino (Yorkton)

In December 2005, Liquor & Gaming approved SIGA's plan to build a new casino to be located on the Kahkewistahaw First Nation in Yorkton. SIGA signed an agreement with PHC Holdings Limited Partnership (PHC Holdings)[2] for the development and lease of the new casino. The agreement provides for PHC Holdings to construct a building shell (i.e., a base building before any interior finishings) and then lease the land and building to SIGA. SIGA is responsible to complete the interior finishing necessary for a casino operation. Under the agreement, SIGA agreed to pay PHC Holdings an amount by which the direct construction costs on the base building exceed $12 million. These costs will be excluded when calculating the lease payments to be paid by SIGA to PHC Holdings.

On the second month after the building shell is completed, SIGA will commence lease payments to PHC Holdings until June 10, 2027. The lease payments are set to provide PHC Holdings a rate of return per year that is equal to the long-term Government of Canada bond rate in effect when the lease payments commence plus 9%.

[2] PHC Holdings is owned by the Yorkton Tribal Council.

SIGA's Board of Directors and Liquor & Gaming approved a budget of $29.9 million for the base building and interior finishing. Work on the casino project site began in November 2007. SIGA expected to complete construction by the end of December 2008 and to open the casino on February 18, 2009. SIGA completed the project within budget. The new casino opened on March 12, 2009, three weeks behind schedule.

We assessed whether SIGA had adequate project management processes for these significant projects. We wanted to know if SIGA had adequate processes to complete these projects because large construction projects are inherently risky. These risks fall into three broad categories:

- Economic risks – e.g., cost overruns, access to financing
- Capacity risks – e.g., availability of staff and contractors with needed capabilities, inadequate needs analysis
- Construction risks – e.g., poor construction quality, changing project scope, safety and environmental concerns

Sound project management processes can reduce these risks and increase the likelihood of a project's success.

Audit objective and criteria

The objective of this audit was to assess whether SIGA had adequate project management processes for the construction of the Living Sky Casino and the Painted Hand Casino for the period from May 1, 2007 to September 30, 2008.

We followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. This included developing suitable criteria, reviewing and evaluating relevant processes, and obtaining sufficient and appropriate audit evidence to support our conclusions.

We used the following criteria to assess the adequacy of SIGA's processes. We based these criteria on a review of available literature, work of other auditors, prior audit work of our Office, and discussions with management. SIGA accepted the criteria as reasonable standards for assessing its processes. In 2007, we used these criteria for the audit of the construction processes SIGA used for the construction of its Dakota Dunes Casino.

To have adequate project management processes for the Living Sky Casino and Painted Hand Casino projects, SIGA should:

- establish requirements for the construction project
- monitor the status of the project
- address concerns

We describe the criteria more fully under key findings by criteria.

Audit conclusions and findings

SIGA had adequate project management processes for the Living Sky Casino and Painted Hand Casino projects for the period from May 1, 2007 to September 30, 2008 except for the matters covered by our recommendations below.

1. We recommend the Board of Directors of the Saskatchewan Indian Gaming Authority Inc. approve policies for managing major construction projects.

2. We recommend the Saskatchewan Indian Gaming Authority Inc. develop and approve risk plans before starting major construction projects.

We also continue to recommend the Saskatchewan Indian Gaming Authority Inc. establish dispute resolution processes with its key partners before starting major construction projects. In June 2007, the Standing Committee on Public Accounts agreed with this recommendation.

Key findings by criterion

In this section, we describe what we expected (*in italics*. and our key findings.

Establish requirements for the construction project

To ensure the project meets its established requirements, we expected SIGA to have processes to ensure:

- *project specifications meet SIGA's identified needs*
- *key project milestones are set for the project*
- *the Board approves the total cost and costs by key stages*
- *the Board approves the financing arrangements*
- *the project team members have appropriate qualifications*
- *the Board and management have sufficient information to monitor the project*
- *appropriate tendering processes are followed for selecting contractors*
- *its key partners know and agree with their respective responsibilities specifically for project changes, cost overruns, and dispute resolution*

SIGA had adequate processes to establish requirements for the projects except that the Board had not approved SIGA's draft capital project management policies. Nor had the Board established formal dispute resolution processes with its project partners, FHQ Holdings and PHC Holdings.

SIGA's management drafted capital project management policies, but the Board had not yet approved them. SIGA followed the draft policies to build the two casinos.

SIGA's agreements with FHQ Holdings and PHC Holdings (projects partners) set out the overall responsibilities and financial obligations of each party for the projects. SIGA used regular communications and project team meetings with the project partners to ensure that both parties understood and accepted these responsibilities. However, the agreements with the partners do not include a process for resolving disputes. The agreements cover both the construction and long-term lease of the facilities. Absence of a formal dispute resolution process

increases the risk of delays in completion of the projects resulting in additional costs.

Monitor the status of the project

To adequately monitor the status of the project, we expected SIGA to have processes to:

- *monitor the actual project status compared to the approved plan and develop/revise action plans if needed*
- *prepare reports to the Board comparing the actual project status (both costs and stage of completion) to the approved plan with explanations of significant differences*
- *review the status of key risks identified for the project*
- *assess the reliability of information provided by key partners*
- *verify reported information, where necessary*

SIGA had adequate processes to monitor the status of the projects except the Board did not approve risk plans for the projects before they began.

SIGA held regular meetings with the construction manager and representatives from the project partners to monitor the projects. These meetings provided a status update as to various aspects of the projects including the timelines, budgets, and project specifications.

SIGA's management established a risk plan for the Living Sky Casino project that set out the project's risks, who was responsible for managing each risk, and the planned actions to mitigate the risks. Management monitored the project's risks and reported regularly to the Board any changes in risks and how it managed the changes. However, the Board did not formally approve the risk plan.

SIGA's management informally identified the risks associated with the Painted Hand Casino project but did not develop a written plan to mitigate those risks. Management monitored the project's risks and reported regularly to the Board any changes in risks and how it managed the changes.

Address concerns

To ensure that potential problems on the project were adequately managed, we expected SIGA to have processes to:

- *identify key risks and action plans to manage those risks*
- *regularly assess the status of the project's risks*
- *approve change requests that meet defined criteria*
- *communicate required actions to affected parties*
- *take appropriate action*

SIGA had adequate processes to properly manage potential problems on the projects except as described earlier, the Board did not approve risk plans for the projects.

To ensure the project continued as planned, SIGA's management identified key risks and action plans to address them. When management determined that identified risks were above an acceptable level, it prepared a plan setting out actions needed to address the risks including any project change requests.

For example, SIGA determined that meeting the construction project schedule was a key risk. SIGA's strategies to reduce this risk included regular progress meetings with the construction manager, the architects, contractors, and the project partners. When the projects incurred any significant delays, SIGA and the construction manager developed revised construction project schedules. SIGA also regularly reported to the Board on construction progress by including revised construction project schedules and reasons for differences between planned and actual results.

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Follow-ups of previous recommendations

Processes to encourage responsible use of beverage alcohol

Under *The Alcohol and Gaming Regulation Act, 1997* (Act), Liquor & Gaming is responsible for the regulation and control of beverage alcohol in Saskatchewan. The Act also authorizes Liquor & Gaming to develop, promote, or support activities or programs designed to encourage responsible alcohol consumption. Balancing the responsible use of beverage alcohol with generating revenue for the Government presents a challenge.

In 2007-08, Liquor & Gaming generated net revenue from liquor sales of $233.3 million. Liquor & Gaming's performance plan for 2008-09 states that Liquor & Gaming's mission is to distribute, manage, operate, and regulate liquor in ways that promote fairness and fiscal and social responsibility. Liquor & Gaming is one of several government and non-government agencies that play a role in reducing alcohol misuse. As the regulator and principal distributor and retailer of alcohol, Liquor & Gaming needs to play a significant role in encouraging the responsible use of alcohol.

Our past work and recommendations

In 2005, we assessed the adequacy of the processes Liquor & Gaming used to encourage responsible alcohol use. We reported the results of our audit in our 2006 Report – Volume 1 and made three recommendations to help improve Liquor & Gaming's processes for encouraging responsible use of beverage alcohol.

We recommended that Liquor & Gaming:

- Formally assign responsibility for encouraging responsible use of beverage alcohol
- Prepare a complete plan for encouraging responsible use of beverage alcohol
- Continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol

In October 2006, the Standing Committee on Public Accounts agreed with these recommendations.

Our follow-up

In February 2009, we assessed how well Liquor & Gaming has addressed our recommendations. We describe below what Liquor & Gaming has done for each of the three recommendations.

Formally assign responsibility

We recommended the Liquor & Gaming Authority formally assign responsibility for encouraging responsible use of beverage alcohol.

We made this recommendation because Liquor & Gaming had not formally assigned the responsibility for managing activities that encourage responsible use. This is a necessary step in the implementation of focused activities aimed at encouraging responsible use of beverage alcohol.

Liquor & Gaming has implemented this recommendation. It has formally assigned responsibility for encouraging responsible use of beverage alcohol to the Policy and Planning division. To help carry out this responsibility, the Vice President of Policy and Planning is the chair of the Social Responsibility Committee (Committee). As set out in the Committee's terms of reference, the Committee's role is to monitor and promote social responsibility initiatives that are consistent with Liquor & Gaming's mission, "to distribute, control, and regulate liquor and gaming

products throughout Saskatchewan in ways that promote fairness and fiscal and social responsibility." To fulfill this role, the Committee is responsible for developing and submitting social responsibility plans, policies, and annual initiatives to Liquor & Gaming's Management Committee for approval. Also, the Committee is responsible for overseeing the implementation of Liquor & Gaming's social responsibility strategies respecting alcohol and gaming products.

Prepare a complete plan

We recommended the Liquor & Gaming Authority prepare a complete plan for encouraging responsible use of beverage alcohol.

We made this recommendation because Liquor & Gaming had gathered information about planned activities for encouraging responsible use but did not consistently identify who was responsible for what activity, set key milestone dates, or develop measures and targets for encouraging responsible use.

Liquor & Gaming has made progress on this recommendation as it has drafted a Social Responsibility Plan. The plan identifies activities and sets key milestone dates for encouraging responsible use. Liquor & Gaming still needs to develop and include in its plan performance measures and targets to help it evaluate its success in encouraging responsible use of beverage alcohol.

We continue to recommend the Liquor & Gaming Authority prepare a complete plan for encouraging responsible use of beverage alcohol.

Research and develop performance measures and targets

We recommended the Liquor & Gaming Authority continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol.

We made this recommendation because Liquor & Gaming reported performance related to social responsibility by describing inputs and activities, rather than reporting results or outcomes.

Liquor & Gaming has been monitoring the availability of suitable social responsibility measures from other sectors and organizations that would help it measure the outcomes of its activities. The Social Responsibility Committee at Liquor & Gaming has an annual discussion about the development of suitable performance measures, but it has yet to identify performance measures that will allow Liquor & Gaming to report results and outcomes in relation to its success in meeting its social responsibility objectives.

Liquor & Gaming told us it finds it challenging to identify and develop performance measures and targets for promoting social responsibility because these initiatives focus on modifying human behaviour. However, without performance measures that report on results and outcomes, it is difficult for Liquor & Gaming to assess achievement of its goals related to encouraging responsible use of beverage alcohol.

We continue to recommend the Liquor & Gaming Authority continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol.

Succession planning

Succession planning is part of overall human resource planning. It addresses the risk of changing demographics, the unpredictability of workforce impacts such as short and long-term leaves of absence, and increasing competition for human resources. Effective agencies use succession planning to help them ensure they have the right people, with the right skills, at the right time. It is a process requiring attention from legislators, managers, and employees and should not be left solely to the human resource function.

Succession planning requires an agency to assess its key competency needs based on its long-term strategic direction. Key competencies needed to sustain an agency include management, operational, technical, administrative, and leadership knowledge and skills. Untimely loss of key employees may create weak links in critical systems and significantly affect the ability of an agency to achieve its objectives.

Succession planning at Liquor & Gaming is needed to ensure an effective workforce is ready to assist the agency to achieve its objectives. Without

employees with the required skills, Liquor & Gaming's risk of not achieving its objectives increases. To ensure an effective workforce, Liquor & Gaming needs to recruit and retain people with the required skills and create opportunities for employee career development. Also, Liquor & Gaming is responsible to build a representative workforce and engage youth in the workplace.

Our past work and recommendations

In 2006, we assessed whether Liquor & Gaming had adequate succession planning processes. We reported the results of our audit in our 2006 Report – Volume 3 and made three recommendations to help improve Liquor & Gaming's succession planning processes.

We recommended that Liquor & Gaming:

- Establish a process to document and communicate potential competency gaps
- Document employees' career goals and action plans as part of its staff performance and development process
- Document and monitor the progress of its succession strategies

In June 2007, the Standing Committee on Public Accounts agreed with these recommendations.

Our follow-up

In December 2008, we assessed how well Liquor & Gaming has addressed our recommendations. We describe below the progress Liquor & Gaming has made on each of the three recommendations.

Document and communicate potential competency gaps

We recommended the Liquor & Gaming Authority establish a process to document and communicate potential competency gaps.

We made this recommendation because Liquor & Gaming had informally identified organizational competency gaps but needed to complete its

assessments and documentation of future competency needs, formally document potential gaps, and determine how to address those gaps.

At December 31, 2008, Liquor & Gaming had completed the core competency profiles for 94% of its positions. These core competency profiles are available to all employees through Liquor & Gaming's internal website. Employees use these core competency profiles to identify the competency gaps between their current position and their desired position within Liquor & Gaming. This process helps employees identify the competencies that they need to achieve their career goals at Liquor & Gaming.

Liquor & Gaming, however, needs to do more work to fully implement the recommendation. Liquor & Gaming needs to identify and monitor the competency gaps that exist within the organization and communicate these gaps to its employees. Without this process, Liquor & Gaming may not fully achieve its goals and objectives.

We continue to recommend the Liquor & Gaming Authority establish a process to document and communicate potential competency gaps.

Document employees' career goals and action plans

We recommended the Liquor & Gaming Authority document employees' career goals and action plans as part of its staff performance and development process.

We made this recommendation because Liquor & Gaming did not always document employees' career goals and action plans or discussions with employees about their career interests and goals.

Liquor & Gaming has implemented this recommendation. At the beginning of the year, employees along with their managers identify their career goals, competency gaps, and develop training plans to address the gaps. At the end of the year, the employees and their managers discuss and document the progress made.

Document and monitor progress of succession strategies

We recommended the Liquor & Gaming Authority document and monitor the progress of its succession strategies.

We made this recommendation because Liquor & Gaming needed to fully document and monitor progress of succession strategies.

Liquor & Gaming does not have a documented and approved succession strategy that addresses key organizational positions. It has identified future retirements and a competitive labour market as key risks, developed a general strategy for mitigating these risks, and as described above, developed core competency profiles for employee positions. However, for its succession strategy to be effective, Liquor & Gaming needs to develop succession strategies for its key positions and regularly monitor its progress at having the right employees with the right skills to meet its strategic objectives.

We continue to recommend the Liquor & Gaming Authority document and monitor the progress of its succession strategies.

Public Service Commission

9

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Main points

Government ministries are facing a potential leadership challenge. About one-half of senior management of government ministries could retire by 2013 and nearly one-half of the managers who would usually replace them could also retire by then. It is important that the Public Service Commission (PSC) and ministries have a sufficient supply of potential leaders.

PSC, as the central human resource agency for government ministries, is responsible for providing ministries with leadership and policy direction for developing a professional public service. This includes having solid processes to develop leaders for senior management positions in government ministries.

At December 31, 2008, these processes needed improvement in two key areas. First, PSC needed better processes to provide potential leaders with developmental work experiences (for example, assignments to positions that expand their knowledge and skills) and mentoring opportunities. Second, PSC needed processes to monitor and report on the readiness of ministries to meet their future leadership needs.

Introduction—developing leaders

The Public Service Commission (PSC) is the central human resource agency for the Government's 20 ministries. It provides human resource services for about 12,000 employees. It also provides ministries with leadership and policy direction for developing a professional public service. Building effective public service leadership is one of PSC's priority strategies.[1] This chapter reports on our audit of PSC's processes to develop leaders for senior management positions.

In Canada, provincial and federal governments traditionally appoint 85% of their senior leaders from within the public service.[2] In Saskatchewan, as of December 2008, ministries employed about 900 managers and about 160 senior leaders (e.g., executive directors and deputy ministers).[3] In 2008, PSC reported that one-half of its senior leaders could retire by 2013 and nearly one-half of the managers who would usually replace them could also retire by then.[4]

Senior leaders are essential for ministries' success. Senior leaders inspire, persuade, direct, and hold others accountable to achieve specific outcomes. They set direction and motivate others to align their performance with ministry objectives. Successful strategies to develop leaders help produce a sufficient supply of potential leaders to fill gaps created by upcoming retirements.

Background

PSC's *2007-08 Annual Report* (p.22) states that:

> The Saskatchewan public service is facing a leadership challenge due to: fundamental changes in the role and capabilities required of public service leaders...; less than required leadership bench strength (i.e., leadership candidates waiting to step up to bat) to meet future needs; less than adequate leadership development over the past 15 years.

[1] Government of Saskatchewan, Public Service Commission Plan for 2009-10, March 2009, p.3.
[2] Evans, B. & Shields, J. (2007). *Surveying the Canadian Public Service Executive Leadership: Profiles and perspectives of deputy and assistant deputy ministers*. Guelph: Centre for Leadership Studies http://www.csl.uoguelph.ca/attachments/Presentations/ and PSC's 2006-07 Annual Report, p.19.
[3] PSC's 2009-10 Human Resources Plan Environmental Scan.
[4] PSC's 2009-10 Human Resources Plan Environmental Scan (p.30).

PSC helps ministries to build leadership capacity in the public service through the services it provides. It is responsible to direct, assist, and coordinate leadership development across ministries.[5] It designs human resources processes based on a foundation of required competencies.

The Government depends on PSC to develop leaders who can lead their ministries successfully and work together to achieve strategic objectives across ministries and with external agencies. Developing leaders helps the Government adapt its services to meet the public's needs. Accordingly, it is important for PSC to develop leaders from within the public service to reduce the risk of a leadership gap.

Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy of PSC's processes, as of December 31, 2008, to develop leaders for senior management positions in government ministries. That is, we audited how PSC develops leaders ready to act as executive directors, assistant or associate deputy ministers, and deputy ministers.

To conduct this audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. To evaluate PSC's practices, we used criteria based on the work of other auditors and current literature listed in the selected references. PSC agreed with the criteria (see Exhibit 1).

We concluded that, as of December 31, 2008, the Public Service Commission's processes to develop leaders for senior management positions in government ministries were adequate except for:

- its processes to provide potential leaders with developmental work experiences and mentoring opportunities
- its processes to monitor and report on the readiness of ministries to meet their future leadership needs

[5] The Public Service Act, 1998, section 7(2).

Exhibit 1 – Audit criteria for processes to develop leaders

To develop leaders for senior management positions across government ministries, PSC should have processes to:

- Identify leadership needs across ministries
  - outline leadership competencies needed
  - identify potential leaders consistently based on merit
  - assess development needs of potential leaders
  - analyze leadership gaps or surplus
- Coordinate leader development across ministries
  - reduce barriers to leader development
  - facilitate opportunities to develop leaders
  - provide central access to learning resources
  - support retention of potential leaders with career paths, mentors
- Align development opportunities with leadership needs across ministries
  - use flexible entry points
  - help arrange for coaching, mentorships, guidance
  - help with developmental placements and temporary assignments
- Evaluate readiness to meet future leadership needs across ministries
  - monitor readiness to meet future leadership needs
  - analyze changing leadership needs
  - report leadership capacity internally and to stakeholders
  - adjust leader development strategies as needed

In the next section, we set out our findings and recommendations by criterion.

Key findings by criterion and recommendations

Identify leadership needs across ministries

PSC developed a *Framework for Building Leadership Capacity*. The Framework includes a *Leadership and Management Competencies Model* (Competencies Model) that outlines core leadership competencies needed by all ministries. The Competencies Model builds on a Statement of Organizational Culture, which defines the vision, values, and organizational principles for all ministries.

In 2008, PSC posted the Framework and the Competencies Model on its website, making them available to all ministries and the public. It also provided deputy ministers and other ministry senior leaders with a user-

friendly handbook of the Competencies Model, and made presentations to ministries' senior leaders.

PSC updated the Competencies Model with the assistance of an external consultant. Also, to help identify leadership needs, it used results of periodic reviews of various aspects of human resources. For example, in its October 2008 review of the state of learning and development in ministries, it set out the greatest needs by competency area.

PSC has organized the required competencies into eight competency groups at three levels from "practitioner" to "champion" (see Exhibit 2). PSC described these as competencies required today and into the future by public sector leaders at all levels.

When we compared the competencies set out in the Competencies Model to those in other models, we noted general consistency. Some of the other models place a more explicit emphasis on important components such as the ethics of public service, engaging the public in meaningful dialogue, and reporting performance for accountability purposes.[6]

Exhibit 2 – Outline of Competencies Model

Leadership Competencies	*Management Competencies*
Strategic orientation	Planning/risk management
Effective communication	Performance management
Building organizational community	Process management
Accountability	
Innovation	

PSC trained its staff (i.e., human resources consultants) and provided tools to enable them to use the Competencies Model to support the recruitment, evaluation, and development of managers within the public service. To help identify potential leaders based on merit, PSC prepared guidelines and tools for ministries to develop selection and assessment programs. It encouraged ministries to use these or similar processes. Eight of the 20 ministries used the guidelines. In other ministries, potential leaders are identified using a more informal process. For example, PSC

[6] Leadership competencies for the public sector are set out by the following: Government of Canada http://www.tbs-sct.gc.ca/tal/kcl/eff-eng.asp ; British Columbia Public Service Agency http://postings.gov.bc.ca/documents/Competencies_Overview.pdf; Alberta Public Service http://www.chr.alberta.ca/?file=learning/competencies/apscomp/aps-competencies

used the observations of its staff assigned to support each ministry and their interactions with senior leaders in ministries and other government agencies to provide input to evaluations of leadership potential.

PSC designed a performance evaluation and development system (called Planning for Success) that most ministries use to monitor the performance of management employees. PSC's staff reviewed these evaluations to identify potential leaders. Also, PSC used these evaluations to identify the learning needs of potential leaders and topics for future training events.

PSC identified gaps between leadership needs and the supply of potential leaders through its review of ministries' workforce plans and succession management plans. PSC asked ministries to use its *Human Resources Planning Guidelines* and its *Succession Management Guide to Action* to prepare these plans. It expected ministry succession management plans to take into account any technical skills required for specific senior management positions. In 2008, about half of all ministries used PSC's recommended processes; the remaining ministries used their own approaches. Ministries prepare a workforce plan and most identified gaps between their leadership needs and the potential supply, together with other related risks.

In addition, PSC carried out periodic environmental scans and reported the results to senior management within ministries. For example, the 2009-10 environmental scan completed in October 2008 provided a summary of external trends (e.g., economics, productivity, demographics) and internal trends (e.g., retirement projections, retention rates) affecting ministries. PSC analyzed the human resource implications of these trends. This analysis helped PSC identify differences between leadership needs and availability of potential leaders.

Coordinate leader development across ministries

Barriers to leadership development could exist for a variety of reasons. These reasons could relate to how agencies are organized (e.g., career progression steps), employees' backgrounds and attitudes (e.g., educational challenges, motivation), awareness of opportunities for advancement, and the availability and extent of leadership development activities.

To support and retain potential leaders, PSC offered career path counselling to ministry staff upon request or referral. PSC developed tools to assist its staff in this role (e.g., a career progression guide). PSC monitors trends in representation of diversity groups within ministries (such as women in management) noting improvement over the last six years. PSC used informal networking and formal internship initiatives to develop potential leaders in diversity groups for leadership positions. PSC used information gathered from exit interviews to identify factors that might cause employees to leave rather than continue in the public service. For example, the quality of supervision and career management are two such factors. As a result, PSC offered training sessions for supervisors and information on career management on its website to help employees plan for a leadership career.

PSC used its Planning for Success program and the day-to-day interaction of its staff (i.e., human resource consultants) with ministry managers to increase managers' awareness of advancement opportunities. These consultants help potential leaders to use self-assessment tools and suggest learning opportunities that match needs. PSC provided these consultants with leadership resources so they could more effectively support the development of potential leaders.

In its orientation and leadership training programs, PSC incorporated the Statement of Organizational Culture to promote ministries working together and having a common view of the public service. For example, this Statement includes the following organizational principles:

> Single employer — we conduct ourselves as one organization
>
> Diversity — we welcome and respect the value of human differences and a workplace that is representative of the population of Saskatchewan

PSC expects these organizational principles to encourage deputy ministers to second (i.e., temporarily assign) their managers to other ministries or government agencies as a way to expand their knowledge and skills.

PSC used periodic reviews to identify barriers and areas where its coordination of leadership might be beneficial. For example, the 2008 learning and development review identified that ministry budgets for developing leaders varied widely. It also identified that many managers

lacked time to participate in leadership activities. Some ministries lacked money to provide sufficient leader development opportunities to their managers.

Ministries have the primary responsibility to pay for leadership training. PSC coordinated a limited number of workshops and courses to develop leaders. As reported in PSC's *2007-08 Annual Report*, ministries' spending on employee training as a percentage of payroll increased from prior years to about 0.65 per cent. However, it is lower than the average 1.8% spent by Canadian organizations.[7]

PSC identified the need for more coordinated leadership training and development. Up to 2008, PSC's focus was on developing new and middle managers. For example, in 2008, PSC offered a management fundamentals program for 200 managers and potential leaders. It promoted and sponsored access to the University of Saskatchewan's leadership development program for managers. It monitored course content for continual improvement. Using the Competencies Model, PSC periodically assessed the coverage of its learning opportunities and its other resources (e.g., publications, videos) against these desired competencies.

Recently, PSC obtained support for additional coordinated leadership training to develop current managers as potential leaders. PSC negotiated umbrella agreements with external training providers (e.g., Johnson-Shoyama Graduate School of Public Policy). Beginning in 2008-09, it will give the School $250,000 annually for four years to develop and provide leadership training for Saskatchewan public sector senior leaders.

Align opportunities with needs across ministries

PSC relies heavily on ministries to be proactive so their leadership development needs are addressed.

PSC expects ministries to nominate managers and other interested employees for leadership training designed by PSC. Some managers participated when their supervisors recommended that they begin to

[7] Conference Board of Canada, *Learning and Development Outlook 2007: Are We Learning Enough?* ISBN 0-88763-761-2, page 12.

develop their leadership abilities. Others participated when ministry officials identified them as nearly ready for appointment to a senior leader position. In 2008, eight ministries formally invited selected employees to have a PSC consultant help them assess their leadership potential and learning needs.

At monthly meetings, PSC staff discussed the learning needs of ministry staff and how best to address them. PSC often used existing programs and resources either within ministries or PSC. It helped external service providers to design courses for public service participants using its Competencies Model and the learning needs expressed by the ministries. PSC monitored course content for continual improvement.

PSC expects ministries to use the Planning for Success performance evaluation system as the primary tool for coaching management employees. In a 2008 survey, 80% of responding managers said Planning for Success was useful. Potential leaders are referred to PSC staff to arrange for further informal coaching or guidance. Although PSC hosted the Interconnext program[8] that included mentoring for employees who have been with the Government for less than five years, it did not have a mentoring program for potential leaders.

1. We recommend the Public Service Commission use mentorship programs to help develop potential leaders in government ministries.

PSC recognizes temporary assignments as one of the best ways to develop leaders. PSC has developed a guide of suggested work experiences for potential leaders. However, PSC has not yet shared this guide or formally organized these experiences for potential leaders. For example, potential leaders could benefit from a temporary assignment to a policy position as part of their development program. PSC indicated that organizing successful work experiences is challenging as ministries are often reluctant to release their potential leaders when these developmental assignments take place at another agency.

[8] Per PSC's website, the Interconnext program provides "a forum for conversation about the public service as a workplace, provides learning and development opportunities, and an opportunity for new public service employees to interact with senior public service employees."

2. We recommend the Public Service Commission coordinate programs that provide potential leaders in government ministries with suitable developmental work experiences.

Evaluate readiness to meet future leadership needs across ministries

PSC uses informal processes to monitor the readiness of ministries to meet their future leadership needs.

PSC's senior staff were directly involved in staffing all senior leader positions within ministries. This involvement gave PSC information about the ability of ministries to attract candidates with the desired competencies for leadership positions.

PSC listed the number of senior leaders and other ministry managers by position type. It monitored employee retention on an overall basis, but not for management positions. Also, it did not collect sufficient information about, or monitor the state of, potential leaders' development overall or by individual. For example, PSC did not track the participation of potential leaders in key leadership training events. Also, PSC is aware that eight ministries identified about 100 potential leaders, but PSC did not track their progress and readiness to assume a senior leadership position.

PSC used a management information system (called MIDAS) to collect and report human resource information. MIDAS is capable of providing information to contribute to an analysis of leadership capacity needs. PSC indicated that it intends to explore how it might use this system to produce reports about leader capacity and staff development.

PSC monitored changes in leadership needs by asking its staff to be aware of trends in required leadership competencies. It also relied on informal comments from deputy ministers to identify changing leadership expectations.

In its annual environmental scan, PSC reported some significant changes in management practices, but it did not deal with leadership competencies explicitly. PSC reviewed human resource literature and trends in general without a specific focus on leadership approaches (e.g., managing at a distance, collaboration with multiple partners, integrated

service delivery, innovative uses of technology for leadership) or on specific trends relevant to leadership in the public sector (e.g., community engagement, public reporting and disclosure, transparency).

PSC periodically evaluated and adjusted its learning and development strategies. For example, it evaluated its leadership development initiatives for 2007-08 and identified several ways to improve leadership training.

In addition, PSC routinely requested feedback about its services. For example, each participant at training events completed an evaluation. It also surveyed ministries regarding the effectiveness of processes such as the Planning for Success performance management system. PSC used this feedback to adjust individual strategies or services.

In its 2007-08 annual report, PSC discussed leadership risks in the public service in the context of projected retirements. It recognized that it has a role in ensuring ministries have a sufficient supply of potential leaders.

It is important for PSC and ministries to know whether ministries have developed managers who:

- are prepared and have the necessary skills to be effective at the next level
- can hold themselves and people who report to them accountable for achieving the right results in the right way.

As noted earlier, PSC did not collect sufficient information or monitor the progress made by potential leaders to prepare for senior management positions. PSC needs additional information and analysis to determine if it is meeting the learning and development needs of potential leaders. PSC also needs this information to report on ministries' readiness to fill future vacancies in their senior management positions.

3. We recommend the Public Service Commission monitor and report regularly to deputy ministers on the readiness of government ministries to meet their future leadership needs.

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Saskatchewan Gaming Corporation

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Main points

Effective April 1, 2008, Saskatchewan Gaming Corporation (SGC) operates under the direction of the Crown Investments Corporation of Saskatchewan. SGC's fiscal year has changed from March 31 to December 31.

SGC needs written procedures for information technology (IT) security to help ensure the confidentiality, integrity, and availability of information systems and data.

SGC also needs a written, tested, and approved disaster recovery plan so it can continue to use IT services in the event of a disaster.

As well, SGC needs to further improve its human resource plan.

For the nine months ended December 31, 2008, SGC's financial statements are reliable. SGC had adequate processes to safeguard public resources and it complied with authorities governing its activities.

Introduction

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority. *The Saskatchewan Gaming Corporation Act, 1994* (Act) established SGC.

Casino Regina is a full-service casino and entertainment centre. Casino Regina has slot machines, table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has slot machines and table games. SGC has a total of 995 slot machines and 42 table games in its casinos.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is a corporation registered under *The Business Corporations Act (Saskatchewan)*. SGC Holdings purchases capital assets and leases them to SGC for the operation of the above casinos. SGC's financial statements include the financial results of SGC Holdings.

Effective April 1, 2008, due to revisions to the Act, SGC operates under the direction of the Crown Investments Corporation of Saskatchewan. The revised Act changed SGC's fiscal year-end from March 31 to December 31. As a result, our audit covers the nine month period from April 1, 2008 to December 31, 2008.

SGC's consolidated financial statements for the nine months ended December 31, 2008 report net revenues of $98.0 million, expenses of $78.9 million, net income of $19.1 million, and assets of $82.0 million. SGC's annual report includes SGC's consolidated financial statements.

Audit conclusions and findings

To form our opinions on SGC and SGC Holdings, our Office worked with their appointed auditor, Deloitte & Touche LLP. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[1]

[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

In our opinion, for the nine months ended December 31, 2008:

- SGC had adequate rules and procedures to safeguard its public resources and those of SGC Holdings except for the matters described in this chapter
- SGC complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- the consolidated financial statements for SGC and the financial statements for SGC Holdings are reliable

Controls to safeguard public resources

Well-performing agencies do three things to help ensure they have effective controls to safeguard public resources. First, they ensure management provides adequate guidance to employees. Second, they require management to establish processes to ensure employees follow the established guidance. Third, they monitor how well they are progressing towards achieving their established goals. We provide our findings in these areas below.

Effective guidance to employees

Agencies should document their policies to provide employees ready guidance to understand and follow the policies. SGC has documented and communicated policies for all areas except those noted below.

Better disaster recovery plan needed

SGC needs a written, tested, and approved disaster recovery plan (DRP)[2] to help ensure that it can continue to use information technology (IT) services in the event of a disaster.

[2] **Business Continuity Plan (BCP)** – Plan by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions. **Disaster Recovery Plan (DRP)** – Plan by an organization to respond to unforeseen incidents, accidents or disasters that could affect the normal operation of a computerized system. A DRP is only one component of a Business Continuity Plan.

We also reported this matter in our 2008 Report – Volume 3. We recommended that SGC prepare a complete disaster recovery plan and assess the need for a business continuity plan. In January 2009, The Standing Committee on Crown and Central Agencies (CCAC) agreed with our recommendation.

SGC places significant reliance on its IT systems to operate. Without an adequate DRP, SGC is at risk of not being able to provide its IT services in a timely manner. Therefore, it may be at risk of not being able to operate its casinos. SGC also needs to assess the requirement for a business continuity plan (BCP) by completing a threat and risk assessment. A BCP would help SGC recover critical business functions in the event of a disaster.

SGC does not have a complete and tested DRP or BCP. Its DRP has not been reviewed and approved by management and has not been tested. SGC has an alternate processing site in the event of a disaster and its DRP includes its backup procedures. However, its DRP does not contain all the key elements of a good DRP, such as a threat and risk assessment, a ranking of SGC's critical applications, and documented recovery and restoration steps.

Management told us SGC planning documents have some elements of business continuity planning including an influenza pandemic plan, an emergency response plan, and business interruption insurance. In addition, management told us SGC is implementing an Enterprise Risk Management system that will help it to develop and implement a BCP.

We continue to recommend that Saskatchewan Gaming Corporation prepare a complete disaster recovery plan.

We continue to recommend that Saskatchewan Gaming Corporation assess the need for a business continuity plan.

Better information technology security policies and procedures needed

SGC needs to fully document its information technology (IT) security procedures and ensure staff follow the procedures. IT security policies

and procedures help ensure the confidentiality, integrity, and availability of information systems and data.

We also reported this matter in our 2008 Report – Volume 3. We recommended that SGC fully document its procedures for the security of its information technology systems and ensure that these procedures are being followed. In January 2009, the CCAC agreed with our recommendation.

SGC has some IT security policies that define staff roles and responsibilities. The policies identify processes needed for good security including user access, physical security, and virus protection. However, SGC does not have written procedures to monitor compliance with those policies.

SGC must ensure that its staff follow IT policies and procedures. Without adequate monitoring of compliance with IT policies and procedures, SGC's data is at risk of disclosure, modification, or loss.

SGC needs to improve its processes for protecting its network. For example, we found SGC does not always document its monitoring of server log files, firewall logs, security patches, and hardware and software maintenance. As a result, SGC may not identify attempted or successful security breaches or may have a disruption of service due to inadequate maintenance.

We continue to recommend that Saskatchewan Gaming Corporation fully document its procedures for the security of its information technology systems and ensure that these procedures are being followed.

Better human resource plan needed

SGC needs to improve its human resource plan. Rigorous human resource plans help ensure agencies have the right number of employees, with the right competencies, at the right time.

We have reported this matter since 2007. We recommended that SGC improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and setting out plans to address

human resource gaps. The Standing Committee on Public Accounts considered this matter in 2007 and agreed with our recommendation.

SGC has prepared a human resource plan. The plan includes some discussion about SGC's key human resource risks, but it does not prioritize identified risks (i.e., by considering the likelihood and nature of consequences or risks). SGC has identified general strategies to address its human resource risks. SGC continues to work on detailed action plans to implement the strategies identified.

Also, the human resource plan does not identify SGC's future human resource needs to meet its goals and objectives and it does not identify and analyze anticipated shortfalls or surpluses (gaps).

We continue to recommend that Saskatchewan Gaming Corporation improve its human resource plan by prioritizing its key human resource risks and analyzing human resource gaps.

Glossary

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

Log—A record of computer, network, or application use.

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Server—A computer that hosts systems or data for use by other computers on a network.

Saskatchewan Government Insurance

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Main points

Saskatchewan Government Insurance (SGI) has implemented our 2007 recommendations from our 2007 audit to strengthen its project management processes for the Saskatchewan Auto Fund Redevelopment Project.

SGI's 2008 financial statements are reliable. It had adequate processes to safeguard public resources and it complied with governing authorities.

Introduction

Saskatchewan Government Insurance (SGI) sells property and casualty insurance in Saskatchewan. Its wholly-owned company, SGI Insurance Services Ltd. (SCISL), sells property and casualty insurance in Manitoba and Alberta.

Also, SCISL owns 100% of the issued shares of Coachman Insurance Company (Coachman) and 75% of the issued shares of Insurance Company of Prince Edward Island (ICPEI). Coachman sells property and casualty insurance including automobile insurance in Ontario. ICPEI sells property and casualty insurance including automobile insurance in Prince Edward Island, Nova Scotia, and New Brunswick.

SGI also manages the Saskatchewan Auto Fund (Auto Fund). Auto Fund is Saskatchewan's compulsory automobile insurance program. It receives money from the motoring public and pays claims. Auto Fund does not receive any money from the General Revenue Fund (GRF). Nor does it pay any dividends to the GRF or the Crown Investments Corporation. The financial results of Auto Fund are not included in SGI's financial statements.

SGI sponsors the Saskatchewan Government Insurance Superannuation Plan (SGI Plan). The SGI Plan is a defined benefit pension plan (closed to new members since 1978). The Board of Directors of SGI is responsible for administration of the SGI Plan under *The Pension Benefits Act, 1992*. The primary objective of the SGI Plan is to provide pensions to retired employees and the dependents of deceased pensioners and employees of SGI. SGI provides day-to-day management of the SGI Plan.

The 2008 annual report for SGI includes its consolidated financial statements (including the operating results of the companies SGI owns) for the year ended December 31, 2008. Those statements report revenue of $358 million, net income of $40 million, total assets of $717 million, and retained earnings of $108 million.

The 2008 annual report for Auto Fund includes its financial statements for the year ended December 31, 2008. Those statements report revenue of $639 million, net decrease to the rate stabilization reserve (net loss) of

$43 million, total assets of $1,343 million, a rate stabilization reserve of $103 million, and a redevelopment reserve of $27 million.

The annual report for SGI's Plan includes its financial statements for the year ended December 31, 2008. Those statements report contributions from employees and SGI of $0.2 million, pensions of $3 million, net assets of $36 million, and pension benefits owing of $36 million.

Audit conclusions and findings

KPMG LLP is appointed auditor for SGI and Auto Fund by Cabinet; SCISL, Coachman, and ICPEI by their respective boards of directors; and SGI Plan by SGI. Our Office worked with the appointed auditor using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1] Our Office and KPMG LLP formed the following opinions.

In our opinion, for the year ended December 31, 2008:

- SGI, Auto Fund, SCISL, Coachman, ICPEI, and the SGI Plan had adequate rules and procedures to safeguard public resources
- SGI, Auto Fund, SCISL, Coachman, ICPEI and the SGI Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- the financial statements of SGI, Auto Fund, SCISL, Coachman, ICPEI, and the SGI Plan are reliable

The remainder of this chapter reports the result of our follow-up of the recommendations made during our audit of SGI's project management processes for the Saskatchewan Auto Fund Redevelopment Project.

[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

Auto Fund Redevelopment Project–Follow-up

In Chapter 10 of our 2007 Report – Volume1, we assessed SGI's project management processes for the Saskatchewan Auto Fund (Auto Fund) Redevelopment Project and made the following two recommendations:

- We recommended Saskatchewan Government Insurance have processes to monitor the benefits it expects from the Saskatchewan Auto Fund Redevelopment Project.

- For the Saskatchewan Auto Fund Redevelopment Project, we recommended Saskatchewan Government Insurance document its:
  - risks and strategies to manage the risks
  - strategy to plan, test and implement adequate security
  - communication strategy for keeping stakeholders adequately informed about the project

The Standing Committee on Crown and Central Agencies considered these matters in August 2007 and agreed with these recommendations.

In March 2009, we did a follow-up to assess how well SGI has addressed our recommendations. We describe below what SGI has done for each of our recommendations.

Processes to monitor benefits

We made the first recommendation because SGI had not documented targets and criteria for measuring benefits. Nor had it assigned responsibility to a staff member for monitoring and tracking those benefits. Without these processes, SGI would be less able to assess how well it achieved the benefits it set out for the project. SGI has addressed our recommendation.

SGI has developed a written process to track the benefits of the Auto Fund Redevelopment Project.

SGI has assigned specific senior managers to monitor and track the project benefits. The project team provides regular written reports to management and the board of directors on the design, development,

implementation, and operations of the new Auto Fund system as compared to expectations. SGI has identified other expected benefits from the new system such as costs savings. Annually, SGI updates its expected benefits and shares the update with senior management. SGI is currently working on the 2008 analysis.

Documenting risks and strategies

We made the second recommendation because SGI did not adequately document key decisions and plans related to risk management, application security, and system development methodology. It also had not documented its communication strategy for other phases of the project besides the analysis phase. Well-documented risk assessments, plans, and strategies would help SGI to ensure it addressed all project risks. SGI has addressed our recommendation.

SGI has developed an overall strategy to implement adequate security for its redevelopment project. The strategy outlines at a high level, its strategy to plan, test, and implement adequate security. SGI has several phases left in its redevelopment project.

SGI's risk analysis outlines several risks to the success of the project. SGI assesses all of these risks as high risk. It documents mitigation strategies for the identified risks.

SGI has developed an overall communication strategy and one for its current phase of the project. These strategies set out some targets. SGI assesses the effectiveness of its communication strategies.

Saskatchewan Research Council

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Main points

The Saskatchewan Research Council's (SRC) purpose is to assist Saskatchewan industries to be globally competitive through the responsible application of science and technology. SRC, by effectively managing its risks and achieving its objectives, can positively influence Saskatchewan's economy and social prosperity.

Risk management can be challenging. SRC is establishing strong risk management processes that other agencies may find useful.

This chapter reports the results of how SRC's Board used risk management processes. SRC's Board had adequate risk management processes except for monitoring both the causes of risks and risk management outcomes.

Introduction

Since 1947, the Saskatchewan Research Council (SRC) has developed innovative science and technology solutions. SRC's purpose is to assist Saskatchewan industries to be globally competitive through the responsible application of science and technology.[1] SRC achieves its purpose by researching new or better products or increasing productivity. It helps industries to apply innovative solutions and services, often using demonstrations and pilot projects. In 2008, SRC had revenue of $41.2 million and expenses of $36.7 million. At March 31, 2008, SRC held assets of $32.2 million. The *Saskatchewan Research Council 2007-2008 Annual Report* is available at www.src.sk.ca.

SRC also manages the Saskatchewan Research Council Employees' Pension Plan (Plan). At December 31, 2008, the Plan held assets of $16.8 million and had a deficit of $0.2 million.

Audit conclusions and findings

In our opinion, for the year ended December 31, 2008:

- SRC had adequate rules and procedures for the Plan to safeguard public resources
- SRC complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- the Plan's financial statements are reliable

The remainder of this chapter contains the results of our audit of SRC Board's risk management processes.

[1] Saskatchewan Research Council 2007/2008 Annual Report, p.1.

Managing risk in a changing environment

Risk is the chance of something happening that will have an impact on an agency's objectives.[2] That is, risks are missed opportunities or adverse events that could influence an agency's ability to meet its strategic objectives.

All agencies face risks in the process of achieving their objectives. The risks SRC faces are varied because it must respond to a wide range of rapidly changing needs across multiple sectors. For example, SRC influences the use of science and technology in agriculture, biotechnology and food, environment and forestry, energy, mining and minerals, and alternative energy and manufacturing.

SRC's risks can be shaped by others. Scientific discoveries, advances in technology, and decisions made by independent businesses all influence the demand for innovative solutions. Government policies and the economy may affect willingness to try new ideas.

SRC has increased risks due to its work at the forefront of scientific and technical advances and its leadership aspirations. SRC's vision is to "be an internationally recognized leader in the development and implementation of relevant science and technology." [3]

SRC has additional risks during this time of economic turbulence and rising concern for the environment. Managing risks is complex during periods of extensive change. It requires rapid, innovative responses to changes in technology, economic viability, and sustainability. SRC needs to collect and disseminate information rapidly so it can appropriately respond to risks. By effectively managing its risks and achieving its objectives, SRC can positively influence Saskatchewan's economy and social prosperity.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Saskatchewan Research Council's Board used adequate risk management processes as of February 15, 2009.

[2] Australia/New Zealand Standards, *Risk Management 4360* (2004), definitions pp.4-5.
[3] Saskatchewan Research Council 2007/2008 Annual Report, p.1.

To conduct this audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. We used audit criteria based primarily on the 2004 Australia-New Zealand Standard *Risk Management 4360*. To further support the criteria, we used selected references. SRC agreed with the criteria (Exhibit 1).

Exhibit 1—Criteria for risk management

To have adequate risk management processes, SRC's Board should:

- identify risks
  - build a common understanding (context) for risk management
  - establish comprehensive list of risks for each objective
  - identify potential causes of risks or missed opportunities
- analyze risk likelihood and impact
  - identify likelihood each risk will occur in short, mid, or long term
  - identify positive and negative impacts
  - list risks excluded from analysis due to low impact
- evaluate risk tolerance
  - decide criteria for risk tolerance
  - communicate with partners about risk
  - set priorities for risk treatment
- treat key risks
  - identify options for treating priority risks
  - assess cost and suitability of optional treatments
  - select risk treatment plans
  - discuss risk treatment plans with relevant partners
- monitor risks
  - report action taken on risk treatment plan
  - review risk process and outcomes of risk treatment
  - record residual risks and lessons learned

We concluded that as of February 15, 2009, the Saskatchewan Research Council Board used adequate risk management processes except for monitoring both the causes of risks and risk management outcomes.

Findings—risk management processes

We highlight what we expected (our criteria) in italics below each heading, followed by our significant findings and recommendations.

Identifying risks

We expected SRC to identify risks based on processes to:

- *build a common understanding for risk management*
- *establish a comprehensive list of risks for each objective*
- *identify potential causes of risks or missed opportunities*

SRC's Board and management built a common understanding about risk management through consistent, ongoing communication about risk (verbal and written). Orientation for new Board members and new employees included key terms and processes related to risk. During 2008-09, SRC held workshops about risk management at every level (i.e., board, managers, employees).

SRC documented its risk management definitions, processes, and policies and kept them up-to-date and accessible. SRC used an internal website to communicate to Board members, managers, and employees, for example, with monthly reports from the President.

SRC's Board used policies and job descriptions to communicate who had been assigned to manage risks. SRC policies required all employees to identify risks and inform their supervisor (and the accountable manager).

The Board approved a comprehensive list of 43 important risks that SRC faces. It organized the risks into eight types—strategic, reputation, financial, human resources, safety, environmental, intellectual property, and operational risks. The Board's policies directed managers to identify risks that would prevent it from achieving its objectives and asked employees to tell their managers if a process could be improved. During discussions about the risks, the Executive Team (and the Board's Governance Committee[4]) informally related risks to SRC's key objectives.

SRC's Board approved clear risk statements that allowed employees and others to see how the risks related to SRC's objectives. During 2008-09, SRC's risk register stated its top five priority risks as follows:

Failure to ensure adequate mentorship/succession planning
Failure to retain employees
Failure to successfully manage change
Failure to hire quality applicants
Failure to maintain strong relationships with stakeholders

[4] In 2009, SRC renamed this Committee as the Governance and Nominating Committee.

SRC did not ask its employees to clearly identify and record the causes of risks. Rather, it used broader wording (e.g., understand and manage risks), which may include identifying causes. SRC's strategic plan and operational plan both list some major causes of risk related to risk types. Consistently identifying and recording causes would help achieve timely, effective, and economical management of the risks. For example, recording identified causes that could weaken or strengthen relationships with stakeholders would help SRC to focus how it addresses this risk.

1. We recommend the Saskatchewan Research Council Board require management to record identified causes of risks to aid in effective and economical risk management.

Management told us it concurs with this recommendation. It told us SRC has conducted root cause analysis in the majority of its risk assessments and is currently in the process of implementing a system that will ensure root causes are clearly documented.

Analyzing the likelihood and impact of risks

We expected SRC to analyze the likelihood and impact of risks by using processes to:

- *identify the likelihood each risk will occur in short, mid, or long term*
- *identify positive and negative impacts*
- *list risks excluded from analysis due to low impact*

SRC had strong systems to analyze the likelihood and impact of all significant risks it identified. The Board used a comprehensive risk management strategy and framework that guided managers to analyze risks consistently across the agency. The guidance set out five levels of probability from "rare" to "almost certain" events. It also expected managers to identify the time period in which a risk was most likely to occur (e.g., annually, once in three, ten, or thirty years).

The Board's risk management strategy and framework communicated the importance of identifying positive and negative impacts. A "consequence matrix" provided specific quantified measures to guide the consistent assessment of the impact of adverse events or positive opportunities. The matrix provided detailed guidance on the range of potential impacts, who

or what would be affected, and quantified the extent of the impact to determine the severity of the risk. SRC ranked its 43 most significant risks, and ranked lower those risks with less serious consequences.

Evaluating risk tolerance and appetite for opportunities

We expected SRC to evaluate its tolerance for threats to its objectives and its appetite for opportunities with processes to:

- *decide criteria for risk tolerance*
- *communicate with its partners about risk*
- *set priorities for risk treatment*

SRC's Board approved risk tolerance statements for every risk type. These statements included critical words (i.e., criteria) showing how SRC related its tolerance of risk to the importance of the risk. For example, SRC considered its employees its most important asset and so had less tolerance of risk in this area. SRC valued its reputation and proactively protected it. These general risk tolerance statements were supported with detailed guidance. For example, the consequence matrix outlined tolerance levels for safety and financial risks. Policies such as the signing authority policy also quantified the amount of risk that SRC's Board will tolerate without additional approval and Board involvement.

SRC communicated extensively with its partners about risk. Often the discussion about sharing risks began when SRC initiated the partnership. In most cases, a written contract guided the partnership. Although SRC may begin discussions with a standard contract, each contract became unique because it represented decisions among the partners about how to manage risks, for example, like loss of confidentiality or inadequate insurance.

SRC's risk tolerance criteria sometimes related directly to its strategic goals. For example, in projects to clean-up abandoned mine sites, SRC required contractors to hire local people to do about 25% of the work. In this way, SRC's criteria for managing risks also contributed to its strategic goal of sustainable development (e.g., building local skills).

SRC's Executive Team annually recommended priorities for risk treatment to the Board for approval. These priorities were aligned with SRC's strategic plan and annual operating plan. The risk of inability to

hire and retain expert employees was a priority in 2008. The priorities influenced SRC's tolerance for risk and directed managers about how aggressively to take action on those risks.

Treating key risks

We expected SRC to treat key risks based on its processes to:

- *identify options for treating priority risks*
- *assess cost and suitability of optional treatments*
- *select risk treatment plans*
- *discuss risk treatment plans with relevant partners*

SRC's Board and Executive Team identified options for key or priority risks (see short list under heading *Identifying risks*). The Executive Team often discussed priority risks during its bi-weekly meetings. The Executive Team also focused on priority risks during daylong meetings when it assessed the cost and suitability of various options and outlined risk treatment plans. For example, it discussed optional treatments for risks to human resources twice yearly.

Using its risk management policies, SRC's Board approved the assignment of vice presidents and other Executive Team members as risk owners. The Board expected risk owners to assess risk treatment options including whether the option would reduce the likelihood or the consequences of risks. For example, SRC used its consequence matrix to help managers select ways to treat risks. The matrix helped managers consider which options would best treat SRC's priority risks. The matrix ranked (one to five) the potential financial, physical, legal, reputation, and operational impacts. The matrix made possible a more standard analysis of treatment options.

Risk tolerance statements and a signing authority policy also guided how managers selected options for treating risk. For example, when priority risks were associated with specific projects, project managers assessed cost and suitability and recommended the selected option for treating the risk to the Executive Team. Often the project managers explored the options during contract negotiations when a project began.

SRC used its contract-approval process to reach agreement with partner agencies on how it planned to treat risks. These discussions involved

project managers, division managers, or Executive Team members depending on the nature of the risk. The Executive Team and/or the Board approved the selected options when contracts were finalized or during the budget process. In cases where the Board judged the risk to be high, it requested more frequent project reports on treatment options and discussions with partners (e.g., quarterly reports on its contract to clean up abandoned uranium mines in northern Saskatchewan).

Monitoring risk

We expected SRC to monitor risks using processes to:

- *report action taken on its risk treatment plan*
- *review its risk processes and outcomes of risk treatment*
- *record residual risks and lessons learned*

SRC's Board received project reports and special reports on specific risks to keep it informed of action taken to treat risks. For example, the Executive Team and the Board received reports on an independent audit of its safety processes. The Board used checklists to monitor that it (and Board committees) received the reports it required.

SRC actively reviewed and regularly updated its risk management processes during 2005 to 2009. SRC provided routine updates of its risk management processes to its Executive Team, the Governance Committee, and the Board. For example, in July 2008, a risk management report to the Board explained the key controls SRC used to manage its priority risks, using safety and employee retention as examples. The report showed progress and outlined intended future reports.

SRC's Board had not yet selected measures for risk-related outcomes. As a result, the Board did not routinely receive reports showing the results of risk treatments. For example, the percentage of critical positions that are vacant could measure the outcome of efforts to retain employees.

Instead, SRC used 20 key performance indicators to monitor its progress toward achieving its plans. Some of these indicators helped to monitor risk-related outcomes. For example, an annual client survey assessed whether SRC's clients valued their services and were satisfied with the relationship, a priority risk. Also, annually measuring employee

satisfaction with their supervisor helped SRC to monitor its ability to retain its skilled employees, another of its priority risks. More frequent and focused monitoring would give the Board and management more timely notice of changing circumstances.

SRC monitored the residual risk remaining after its efforts to control the risks. SRC's risk register recorded the amount of risk remaining after controls were in place for each of SRC's 43 identified risks.

2. We recommend the Saskatchewan Research Council Board monitor outcomes related to priority risks to enable timely response.

Management told us it concurs with this recommendation. It told us this process is already underway, and that SRC plans to implement a process for monitoring outcomes related to priority risks.

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Saskatchewan Telecommunications Holding Corporation

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Main points

Saskatchewan Telecommunications Holding Corporation (SaskTel) markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems and services.

SaskTel needs better controls to protect itself against losses from the sales of prepaid cellular service cards to distributors. It also needs to improve security over customer credit card information.

Many of SaskTel's activities and services involve the use of intellectual property. We followed up on our 2007 audit of SaskTel's processes to manage intellectual property. We found that SaskTel had complied with our recommendations.

SaskTel makes extensive use of information technology (IT) to deliver its products and services. SaskTel's IT environment includes a large, system-wide network that provides most of SaskTel's personnel with access to email and significant amounts of information. We audited the security of wireless access to these resources, focusing on the wireless security controls at SaskTel's head office and Regina data centre (wireless access is where computers communicate with each other without being physically connected by a wire or cable). We found that SaskTel did not have adequate wireless network security controls for the period August 1, 2008 – January 31, 2009. We make seven recommendations.

SaskTel, the companies it owns, and its pension plan had reliable financial statements; complied with the law; and had adequate rules and procedures to safeguard their public resources, except for the matters described above.

Introduction

Saskatchewan Telecommunications Holding Corporation (SaskTel) markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems and services.[1] SaskTel provides these products and services through its companies listed below.

Related companies and pension plan

At December 31, 2008, SaskTel owned the following companies with active operations (percentage of SaskTel's ownership is set out in parenthesis):

- Saskatchewan Telecommunications (100%)
- Saskatchewan Telecommunications International, Inc. (100%)
- DirectWest Corporation (100%)
- DirectWest Canada, Inc. (100%)
- SecurTek Monitoring Solutions Inc. (100%)
- Hospitality Network Canada Inc. (100%)
- Saskatoon 2 Properties Limited Partnership (70%)

Also, SaskTel sponsors and administers the Saskatchewan Telecommunications Pension Plan.

Each year, SaskTel gives its annual report including its audited consolidated financial statements and the audited financial statements of each of the above-listed companies and pension plan to the Legislative Assembly. For additional information on SaskTel and its companies, see SaskTel's website at www.sasktel.com.

Audit conclusions and findings

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SaskTel, the above-listed companies, and pension plan. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[2] KPMG LLP and our Office formed the following opinions.

[1] SaskTel, 2007 Annual Report, p.52.
[2] To view this report, see our website at www.auditor.sk.ca/rrd.html.

In our opinion, for the year ended December 31, 2008:

- The financial statements of SaskTel and each of the above-listed companies and the Saskatchewan Telecommunications Pension Plan are reliable
- SaskTel and each of the above-listed companies and the Saskatchewan Telecommunications Pension Plan had adequate rules and procedures to safeguard public resources except for the matters described in this chapter
- SaskTel and each of the above-listed companies and the Saskatchewan Telecommunications Pension Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

In this chapter, we also include the results of our audit to assess the adequacy of SaskTel's wireless network security controls and a follow-up of our audit of SaskTel's processes to manage intellectual property.

Better controls for the sale of prepaid cellular service cards required

SaskTel needs better controls to protect itself against losses from the sale of its prepaid cellular service cards.

SaskTel hired a company (the distributor) to sell SaskTel's prepaid cellular service cards. SaskTel supplied the cards to the distributor. The distributor arranged for the sale of the cards through retailers, paid commissions to retailers, and charged SaskTel a commission for its services. The distributor was required to pay SaskTel the face value of the cards less commissions.

When SaskTel made its agreement with the distributor, SaskTel did not ensure it had adequate controls to prevent losses on money owed to SaskTel by the distributor. SaskTel should have required the distributor to provide adequate security to protect SaskTel against losses.

During the year, the distributor failed to pay SaskTel for amounts it owed for the sale of SaskTel's cards. As a result, SaskTel recorded a loss of $6.4 million on the amounts owed by the distributor.

1. We recommend SaskTel have adequate controls to prevent losses from the sale of its prepaid cellular service cards.

Management of SaskTel told us that the agreement with the prepaid card distributor was terminated and the process for creation and distribution of prepaid cards has been moved in-house and with this, the risk associated with having one supplier collecting money on SaskTel's behalf has been eliminated. Management told us that as part of moving the process in-house controls were increased and SaskTel now distributes cards to retail outlets and dealers directly. In addition, management told us contracts have been signed with each retailer/distributor with credit requirements and invoicing is done as cards are shipped and credit terms are monitored according to normal credit policy and procedures.

Better security for customer credit card information required

SaskTel needs to improve security over customer credit card information.

SaskTel accepts payments from customers using credit cards. SaskTel stores, processes, and transmits customer credit card information. SaskTel does not have adequate controls, including those defined by the credit card industry, to provide reasonable assurance that customer credit card information is securely transmitted and stored. As a result, unauthorized access of customer credit card information could occur without ready detection.

2. We recommend SaskTel have adequate controls to ensure customer credit card information is securely transmitted and stored.

Management of SaskTel told us that it is working to strengthen its controls and to fully implement the standards required by the credit card industry.

Processes to manage intellectual property—a follow-up

Background

In 2007, we audited SaskTel's processes to manage intellectual property. Intellectual property refers to creations of the mind, such as inventions, symbols, names, pictures and designs. Patents, trademarks, copyrights, and industrial designs are examples of specific rights regarding intellectual property.[3]

Intellectual property is important to SaskTel. SaskTel uses intellectual property in many ways in carrying on its businesses: providing telephone, cell phone, internet, and television services, and providing telephone directories and home security to its customers.

In Chapter 11 of our 2007 Report – Volume 1, we reported our results. We concluded that SaskTel had adequate processes to manage intellectual property except for matters described in six recommendations (see Exhibit 1).

On January 19, 2009, the Standing Committee on Crown and Central Agencies considered the chapter and agreed with our recommendation.

In March 2009, we completed our review of SaskTel's actions on our recommendations. SaskTel has complied with all our recommendations.

Exhibit 1—Audit recommendations

1. We recommend that SaskTel should develop a plan for managing intellectual property. The plan should:
   - identify intellectual property assets
   - be proportionate to importance of intellectual property assets to the objectives and risks of SaskTel
   - describe approach/activities to manage intellectual property assets and risks
   - include training and resource allocation
2. We recommend that SaskTel include intellectual property issues in its risk management framework.

[3] Canadian Intellectual Property Office, p.3.

3. We recommend that SaskTel consistently document intellectual property agreements with its subsidiaries.
4. We recommend that SaskTel establish centralized responsibility for maintaining original contracts.
5. We recommend that SaskTel implement a system to assist it to comply with the intellectual property rights it has acquired.
6. We recommend that SaskTel monitor its progress in achieving its plan for managing intellectual property.

Action on recommendations

SaskTel has implemented a plan for managing intellectual property. The plan describes intellectual property in general and identifies types of intellectual property important to SaskTel. The plan reflects the importance of intellectual property to SaskTel. The plan describes SaskTel's approach for managing intellectual property by setting out guiding principles and outlining activities. The plan also identifies corporate resources for managing intellectual property.

SaskTel uses a formal risk management framework. SaskTel has now explicitly included intellectual property risks in its framework.

SaskTel requires that it now document agreements with its subsidiaries on intellectual property matters. Such agreements help in managing intellectual property and also help protect rights.

SaskTel has established centralized responsibility with its legal department for maintaining original contracts, although some agreements remain in different departments or areas for practical reasons. SaskTel is continuing to take steps to help ensure that it manages and tracks contracts.

SaskTel has improved its processes to comply with the intellectual property rights it has acquired. It has improved its usage of existing tools to manage software licenses. At the same time, SaskTel is evaluating new tools to assist with this task. SaskTel has created a new position with responsibilities related to this area. SaskTel's department objectives now explicitly address software compliance.

SaskTel requires the intellectual property plan and the related risk report on intellectual property to be reviewed annually by SaskTel's executive. This constitutes adequate monitoring.

Wireless network security

SaskTel makes extensive use of information technology (IT). This includes computers and networks, including a large, system-wide network that provides most of SaskTel's personnel with access to email and significant amounts of information stored on network servers.

This audit examines the security of wireless access to these resources. Wireless access is where computers communicate with each other without being physically connected by a wire or cable.[4]

Wireless networks and related risks

Networks that include wireless access involve additional security risks compared to networks that do not have wireless access. Wireless access is available in many locations in SaskTel. Because wireless information is usually transmitted via radio waves, and is potentially available to those within range of the signal, there is greater risk of unauthorized access. This risk can be reduced, but it requires careful network and device implementation (for example, using an appropriate design, requiring appropriate encryption, and keeping hardware and software up-to-date) together with other controls such as training.

Poorly designed or implemented wireless networks can be relatively easy to break into. And because radio signals are hard to control, wireless signals may extend outside SaskTel's offices. This would make it easier for someone to attempt to break into the network.

SaskTel provides wireless access in many locations. Also, many computers used by SaskTel have wireless capability. It is important that SaskTel ensure that its wireless infrastructure provides mobile computing without compromising the confidentiality, integrity, or availability of sensitive and critical corporate information. Because of the risks

[4] "Wireless" is sometimes used to refer to cellular technology. In this audit we are referring to electronic communications using the IEEE 802.11 standard, often referred to as Wi-Fi.

associated with wireless networking, SaskTel must effectively manage and monitor its wireless resources so that only approved and secure wireless activities take place.

Audit objective and conclusion

The objective of our audit was to assess whether SaskTel had adequate wireless network security controls for the period August 1, 2008 – January 31, 2009. We focused on the wireless security controls at SaskTel's head office and Regina data centre. This audit did not include handheld devices such as Blackberries. We followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants in carrying out this audit.

We used the criteria outlined in Exhibit 2 to assess SaskTel's controls. The criteria are based upon the National Institute of Standards and Technology, the Payment Card Industry Standard, and the wireless security testing section of the Open-Source Security Testing Methodology Manual. The selected references at the end of this chapter set out the sources of the criteria. SaskTel agreed with the criteria.

Exhibit 2—Audit criteria

To have adequate wireless network security controls, SaskTel should:

1. **Maintain effective management of wireless security**

   Assign responsibility for wireless security
   Maintain wireless security policies and procedures
   Maintain documentation of wireless architecture
   Require approval for wireless activities
   Maintain a current list of wireless approvals
   Use secure methods to administer wireless devices

2. **Secure wireless infrastructure**

   Securely configure wireless devices
   Deploy updates and security patches
   Encrypt wireless traffic
   Implement additional controls to secure networks accessible by wireless devices
   Implement physical security controls to limit unauthorized wireless activity

3. **Monitor wireless security**

   Maintain an inventory of wireless devices on the network
   Monitor wireless activity logs
   Monitor for unauthorized wireless activities

We conclude that Saskatchewan Telecommunications Holding Corporation did not have adequate wireless network security controls at its head office and Regina data centre for the period August 1, 2008 – January 31, 2009.

As a result, SaskTel's systems and data at these locations are at increased risk of disclosure, modification, or loss.

Key findings by criteria and recommendations

We describe below what we expected (in italics) and our key findings and recommendations for each criterion.

Maintain effective management of wireless security

We expected SaskTel to:

- *Assign responsibility for wireless security*
- *Maintain wireless security policies and procedures*
- *Maintain documentation of wireless architecture*
- *Require approval for wireless activities*
- *Maintain a current list of wireless approvals*
- *Use secure methods to administer wireless devices*

SaskTel has documented overall responsibility for IT and for networks through job descriptions. However, SaskTel has not clearly documented roles and responsibilities for wireless security within the agency. Not documenting specific roles and responsibilities for wireless security decreases SaskTel's ability to carefully manage this area. We discuss this further in this section in connection with security policies and procedures.

SaskTel has a general security awareness program. It has processes to keep track of whether all employees receive security awareness training. As we conducted the audit, several SaskTel staff members asked us for identification. This demonstrates security awareness. However, SaskTel's security training does not include any specific content on secure wireless practices (although we observed that in some cases, employees who were approved to use the wireless network received security reminders). Given its level of wireless activity, SaskTel should educate its staff on wireless security and tie it to approved wireless policies and procedures (discussed below).

3. We recommend SaskTel train employees to use wireless devices securely.

SaskTel should improve its IT security policies and procedures to more fully address wireless security. The security policy and procedures prohibit unauthorized wireless access to the network. They also state that SaskTel may grant employees wireless access for established business needs. The security procedures call for "occasional" sweeps (examinations) for places where unauthorized wireless access is available ("rogue access points"). However, the policies and procedures should more clearly set out specific roles and responsibilities relating to wireless. The security policies and procedures should require regular or scheduled checking for unauthorized wireless use. In addition, SaskTel should consider adopting a security standard to guide its use of wireless. We examined examples of SaskTel's wireless network hardware and found that SaskTel had not set these up to meet security specifications. Following a specific security standard would assist IT employees in setting up and operating wireless network devices securely and consistently (we discuss configuration further under the second criterion).

4. We recommend SaskTel describe wireless roles and responsibilities in its information technology security policies and procedures.

SaskTel maintains documentation of its wireless architecture. SaskTel requires employees who wish to use the wireless network to obtain approval. SaskTel maintains a list of approvals. The list is not complete.

SaskTel does not use secure methods to configure and manage wireless devices. We discuss this further in the next section.

Secure wireless infrastructure

We expected SaskTel to:

- *Securely configure wireless devices*
- *Deploy updates and security patches*
- *Encrypt wireless traffic*
- *Implement additional controls to secure networks accessible by wireless devices*

- *Implement physical security controls to limit unauthorized wireless activity*

SaskTel needs to secure its wireless infrastructure. This includes both the physical security of devices and their electronic settings. SaskTel did not make wireless access points physically inaccessible. This increases the risk that unauthorized individuals could modify settings to reduce security. SaskTel advises it is considering new devices and locations for the devices that would reduce accessibility.

We found several examples where SaskTel had not set up devices to reduce security risks. For example, SaskTel does not disable (by default) wireless access devices in laptop computers. It should do this. When SaskTel uses wireless on a computer, it must manage the related security risks. For example, that same computer can readily be modified to function as a way into the network (a wireless "network access point") without authority and adequate protection. Also, if a user of a wireless device uses it to access an external signal, it can compromise the network. We observed that it was possible for an employee within SaskTel's premises to connect to an external wireless access point using an unsecure connection while remaining connected to the corporate network. This is a high security risk.

Even where users are not currently connected to the corporate network, risks exist. Users may access sites (for example, in public locations) that appear to offer legitimate web access, but instead contain security threats. When a computer that has been compromised connects once again to the network, it puts the network at risk as well. SaskTel should disable wireless access devices in laptops unless specifically required for business reasons or implement other methods to reduce these risks.

SaskTel should also ensure that it sets signal power settings on wireless devices no higher than required. We found devices were set too high such that wireless signals could be accessed from nearby public locations. This increases the likelihood of inappropriate access.

Only authorized users should be able to use wireless devices. SaskTel employed adequate access controls to help ensure only authorized users were able to access the network. However, SaskTel should ensure that it

locks out persistent unsuccessful attempts to access the wireless network.

SaskTel has implemented additional security controls to secure wireless networks. For example, SaskTel has placed a firewall to restrict access to its network. However, it should deploy sensors to detect suspicious wireless activity in the network.

SaskTel also needs to ensure that wireless security is not weakened through out of date devices or software. SaskTel does not have formal procedures to maintain or "patch" wireless hardware. It should implement such procedures. We noted that SaskTel maintained up-to-date virus protection on computers connecting to the wireless network.

Finally, IT administrators do not use secure methods to configure and manage wireless devices. When administrators communicate with wireless devices, for example, to change how the devices are set up, they do not use secure means of communication. They should use encrypted communication to help ensure that sensitive information such as usernames and passwords remain confidential. Further, SaskTel does not use a separate part of its network to administer security. Using a separate part of the network for management is a good security practice. We also found that administrators did not regularly change passwords required to manage these devices, contrary to security policies and procedures.

5. We recommend SaskTel properly configure its wireless network and network devices to reduce information technology security risks.

Monitor wireless security

We expected SaskTel to:

- *Maintain an inventory of wireless devices on the network*
- *Monitor wireless activity logs*
- *Monitor for unauthorized wireless activities*

SaskTel has not performed a risk assessment to help it appropriately manage wireless risks. SaskTel should perform a risk assessment and use it to decide what wireless devices to track and how closely. Nevertheless, SaskTel should maintain an inventory of wireless devices.

SaskTel has no way to track the devices that appear on its wireless network or the person assigned to the devices. Therefore, if wireless devices are used in an inappropriate way (for example, to allow inappropriate wireless activity), SaskTel is less able to remedy the problem. SaskTel should maintain an inventory of devices and settings.

6. We recommend SaskTel assess wireless risks and address them.

7. We recommend SaskTel maintain an inventory of wireless devices on its network and their users.

It is important when disposing of devices to ensure they do not contain sensitive information including configuration settings and passwords. SaskTel advises that it uses the manufacturer of its wireless devices to assist with secure disposal.

SaskTel needs to improve its logging and monitoring processes. Logs are records of who uses a device and how it is used. SaskTel sets up its wireless devices so that logs capture both traffic and management activity. However, SaskTel does not adequately monitor its logs, for example to identify attempts to break into its systems.

8. We recommend SaskTel adequately monitor wireless activity logs.

SaskTel has carried out scans looking for inappropriate wireless activity. The assessments found inappropriate or unauthorized wireless activity. However, SaskTel does not have regularly scheduled wireless scans. It should.

We examined each floor of SaskTel's head office and Regina data centre locations. We found many examples of unauthorized wireless activity. We found many examples where computers could be configured as access points. Also, we found many examples where wireless signals were not encrypted or used weak encryption. We could not tell, nor could SaskTel advise, whether these signals originated from computers that were on its network.

9. We recommend SaskTel regularly perform wireless security scans and address weaknesses found.

Management of SaskTel told us that it will address the audit recommendations related to Wireless Network Security (Recommendations 3 to 9) through the implementation of the SaskTel Corporate Security Program and the SaskTel PCI-DSS Compliance Program.

Glossary

Access point—An electronic device that provides other devices, such as computers, with a point of entry into a network.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data centre—A central location for computer network hardware and software, especially storage devices for data.

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

IT infrastructure—An organization's computer and network assets.

Log—A record of computer, network, or application use.

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Rogue access point— An electronic device that provides other devices, such as computers, with a point of entry into a network, but which is not set up or authorized by the responsible agency.

Server—A computer that hosts systems or data for use by other computers on a network.

Traffic—Information travelling over a network.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

Wireless architecture—The overall design of an organization's wireless network, both in terms of its physical components and in how data is meant to travel.

Wireless network—A network where computers communicate without being physically connected by a cable or "wire", for example, using radio signals.

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Saskatchewan Transportation Company

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Main points

Saskatchewan Transportation Company (STC) uses a method called "Balanced Scorecard" to measure and report on its performance. Its annual reports include these reports.

STC has implemented the two recommendations we made in our 2007 Report – Volume 1 in our audit of the reliability, understandability, and consistency of information presented in its 2006 balanced scorecard. By implementing these recommendations, STC has improved its processes to produce reliable balanced scorecard reports.

STC's 2008 financial statements are reliable; it had adequate rules and procedures to safeguard its public resources; and it complied with authorities governing its activities.

Introduction

The Saskatchewan Transportation Company (STC) has a mandate to provide safe, affordable, and accessible passenger and freight transportation services to Saskatchewan communities. In 2008, STC spent $24.7 million to provide these services.

Audit conclusions and findings

To form our opinion on STC, our Office worked with Meyers Norris Penny LLP, its appointed auditor. We used the framework recommended by the *Report of the Task Force Roles, Responsibilities and Duties of Auditors.*[1]

In our opinion, for the year ended December 31, 2008:

- STC's financial statements are reliable
- STC had adequate rules and procedures to safeguard its public resources
- STC complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

The remainder of this chapter describes our follow-up of the recommendations we made in 2007 related to STC's Balanced Scorecard.

Balanced scorecard accuracy—a follow-up

In early 2007, we assessed STC's report of its balanced scorecard results. Our 2007 Report Volume 1, Chapter 12 (pp. 149-155) concluded that the information presented in Saskatchewan Transportation Company's Balanced Scorecard, as reported in its 2006 Annual Report, was prepared in accordance with the reporting principles of reliability, understandability, and consistency.

[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

In our 2007 Report Volume 1, Chapter 12, we made two recommendations to support the STC's continued ability to produce reliable balanced scorecard reports in the future. On January 19, 2009, the Standing Committee on Crown and Central Agencies agreed with our recommendations.

The following sets out each recommendation (in italics) and the actions STC has taken to address each recommendation. As of March 25, 2009, we found that STC has met both recommendations.

Policy requires definitions and calculation methods

In 2007, we recommended the Saskatchewan Transportation Company set out, in detailed procedures, how it defines and calculates each measure presented in its balanced scorecard reports.

STC has met our recommendation. In early 2009, STC approved a policy requiring staff to record definitions and calculation methods for its balanced scorecard measures. It has implemented the policy. The policy is clear. STC provides definitions sufficient to enable the reader to understand what is being measured. Procedures setting out how to calculate the measures are sufficiently detailed to prevent errors and inconsistency from year to year. Calculations showed that staff followed the specified calculation methods.

Policy requires review and approval before reporting

In 2007, we recommended the Saskatchewan Transportation Company require its staff to review the accuracy of balanced scorecard results before reporting them.

STC has met our recommendation. STC's detailed procedures for 2009 state members of the Executive Team are responsible to review and approve balanced scorecard results prior to reporting them. During our follow-up, it was evident that a review of results is occurring. The review is thorough enough to ensure the accuracy of information reported.

Saskatchewan Water Corporation

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Main points

Saskatchewan Water Corporation (SaskWater) has made some progress in addressing the recommendations we made in 2006 on processes to maintain its water treatment and transmission infrastructure. However, much more work is needed. Accordingly, we continue to recommend that SaskWater compile detailed information about its infrastructure to identify maintenance needs. We also continue to recommend that SaskWater use a maintenance plan to improve infrastructure efficiency and reliability for the lowest possible long-term cost.

SaskWater's financial statements are reliable, it had adequate processes to safeguard public resources, and it complied with the authorities governing its activities.

Introduction

The Saskatchewan Water Corporation (SaskWater) operates under *The Saskatchewan Water Corporation Act*. SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

At December 31, 2008, SaskWater held assets of $79.1 million, had operating revenue of $21.1 million, and had a net loss of $0.9 million. SaskWater's 2008 Annual Report includes its financial statements.

Audit conclusions and findings

Our Office worked with Deloitte & Touche LLP, the appointed auditor for SaskWater, to form the following opinions. We followed the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[1]

In our opinion, for the year ended December 31, 2008:

- SaskWater's financial statements are reliable
- SaskWater had adequate rules and procedures to safeguard public resources
- SaskWater complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

The remainder of this chapter sets out actions taken and the status of recommendations from Chapter 12 of our 2006 Report – Volume 1.

Processes to maintain infrastructure – a follow-up

Chapter 12 of our 2006 Report – Volume 1 included the results of our audit of the adequacy of SaskWater's processes to maintain its water treatment and transmission infrastructure at December 31, 2005. It reported that SaskWater had adequate processes to maintain its water

[1] To view this report, see our website at www.auditor.sk.ca/rrd.html.

treatment and transmission infrastructure except as noted in the following recommendations.

We recommended Saskatchewan Water Corporation:

- compile reliable information detailing the water treatment and transmission infrastructure it owns and the condition of that infrastructure

- develop and use a maintenance plan for its water treatment and transmission infrastructure

The Standing Committee on Crown and Central Agencies agreed with these recommendations on January 19, 2009.

In March 2009, we assessed SaskWater's progress towards addressing our recommendations. SaskWater has made some progress but much more work is needed. Accordingly, we continue to make these recommendations. The following sets our expectation in italics and SaskWater's activities to March 2009 by recommendation.

Obtain reliable information on assets

Collecting information about infrastructure (capital assets) helps managers identify maintenance needs and make informed decisions.

SaskWater purchased asset management software and completed entering basic asset information for all the major components of its water treatment and transmission infrastructure. SaskWater told us it plans to enter the asset condition, replacement value, expected remaining service life, and asset risk over the next three years.

Develop and use a maintenance plan

Planning for asset maintenance helps an agency take targeted, timely action to keep assets more efficient and reliable for the lowest possible long-term cost.

SaskWater is working on implementing a formal asset management plan.

SaskWater told us the majority of its field staff have been trained to use the asset management software and the system is being used for certain maintenance tasks. SaskWater expects that as staff become familiar and comfortable with the system, it will gradually expand the use of the system for maintenance. Work on the formal maintenance plan is ongoing. SaskWater told us when the plan is completed, it will have documented the maintenance processes, procedures, and overall direction for how it will maintain its infrastructure.

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Tourism, Parks, Culture and Sport

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Main points

To support sport, culture, and recreation activities throughout the Province, the Ministry of Tourism, Parks, Culture and Sport (Ministry) raises money through lottery schemes.

The Ministry, through an agreement (lottery agreement), uses the Western Canada Lottery Corporation (WCLC) and Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. as its agents to operate lottery schemes. The Ministry must have processes to supervise these entities' compliance with the lottery agreement. Compliance would help ensure that 1) the Government receives the correct amount of lottery revenues and that public money is properly protected, spent prudently, and spent for intended purposes, and 2) that lottery schemes are operated with integrity (i.e., in a fair manner and in accordance with the law).

The Ministry did not have adequate processes to supervise compliance with the lottery agreement by WCLC, Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. As a result, the Ministry did not know whether the Government received the correct amount of lottery revenues and lottery schemes were operated with integrity. Also, the Ministry did not know that public money was properly protected, spent prudently, and spent for intended purposes.

We make several recommendations to strengthen the Ministry's processes to supervise compliance with the lottery agreement.

Introduction

The Ministry of Tourism, Parks, Culture and Sport (Ministry) is to support, celebrate, and build pride in Saskatchewan. The Ministry's strategic focus is on tourism enhancement, quality of life, and economic growth.[1]

Lottery agreement

To fund sport, culture, and recreation activities throughout the Province, the Ministry raises monies through lottery schemes[2] as authorized by *The Interprovincial Lotteries Act, 1984*. All of the lottery revenue belongs to the Government and is public money.

The Ministry uses the Western Canada Lottery Corporation (WCLC) and Sask Sport Inc. (Sask Sport) as its agents to operate lottery schemes in Saskatchewan. This agency relationship is set out in the lottery agreement (described later). Exhibit II provides more information on the organizational structure and lottery profit distribution related to the lottery operations in Saskatchewan.

Sask Sport created two subsidiary companies to carry out functions assigned to it by the Government under the lottery agreement and to keep public money from the lotteries separate from Sask Sport's other operations:

- a company called Western Canada Lottery – Saskatchewan Division Inc. (known as Saskatchewan Lotteries) to fulfill Sask Sport's role in marketing WCLC lottery tickets in Saskatchewan

- a company called Sask Sport Distributors Inc. (Sask Sport Distributors), which distributes lottery tickets to the retailers and charges Saskatchewan Lotteries for its expenses

The lottery agreement authorizes WCLC, Saskatchewan Lotteries, and Sask Sport Distributors, as agents of the Crown, to raise lottery revenue

[1] Saskatchewan Provincial Budget: 2009-10 Estimates, www.finance.gov.sk.ca/budget2009-10/Budget200910Estimates.pdf.

[2] Lottery schemes in Saskatchewan include the Western 6/49, the Plus, Pick 3, Sport Select, Prairie Keno, Keno, Extra and Scratch 'n Win lottery games, Lotto 6/49, Super 7 and National Scratch 'n Win lotteries.

and to deduct approved expenses from the lottery revenue. The Ministry remains responsible for ensuring spending out of lottery ticket sales revenue is done with prudence and probity, as well as ensuring lotteries are operated fairly and in accordance with the law.

This chapter reports the results of our audit to assess the adequacy of the Ministry's processes to ensure that the WCLC, Saskatchewan Lotteries, and Sask Sport Distributors comply with the lottery agreement.

Background

The *Interprovincial Lotteries Act, 1984* (Act) gives the Ministry authority:

- to make agreements with other governments to conduct and manage a lottery scheme in Saskatchewan
- to issue a license to non-profit organizations to conduct and manage a lottery scheme in Saskatchewan on behalf of the Government
- to designate a Saskatchewan non-profit organization to act as a marketing organization for a lottery scheme in Saskatchewan

The lottery agreement[3] makes WCLC an agent of the Governments of Saskatchewan, Alberta, and Manitoba to operate a lottery scheme in each province. WCLC distributes the profits to the governments as outlined in the agreement. The lottery agreement lists what expenses can be deducted from each government's lottery revenues.

The Government of Saskatchewan has two representatives on the Board of WCLC[4]. These representatives are employees of Sask Sport. Sask Sport, a non-profit corporation established in 1972, is a federation of provincial sport governing bodies (members). Sask Sport is managed by twelve board of directors who are elected by the members for a three-year term.

[3] See Order in Council 736/1991 for the current lottery agreement and Order in Council 266/2000 for amendments to the lottery agreement.
[4] Note 1 in Exhibit II further describes the composition of the board members of WCLC.

The lottery agreement requires the Government to designate a Provincial Marketing Organization to market lottery schemes in the Province and to perform certain other functions. In 1974[5], Cabinet designated Sask Sport as the marketing organization (also known as the Provincial Marketing Organization or PMO) for Saskatchewan. Sask Sport uses its subsidiary, Saskatchewan Lotteries, as the PMO.

Saskatchewan Lotteries, as the designated PMO, carries out procedures established by WCLC including coordinating the selection of retailers, coordinating the installation and maintenance of computer equipment at the retailer sites, providing training and communicating to retailers, and assisting WCLC in the collection of payments from the retailers. Saskatchewan Lotteries is also responsible for advertising and promoting lotteries and their benefits in Saskatchewan.

Lottery revenues and expenses flow from WCLC to Saskatchewan Lotteries. The financial statements of Saskatchewan Lotteries and Sask Sport Distributors are not tabled in the Legislative Assembly.

Saskatchewan Lotteries' audited financial statements show Saskatchewan's share of the revenues and expenses from the lottery scheme for the year ended March 31 as follows:

[5] Order in Council 169/2009 appointed Sask Sport Inc as PMO to June 30, 2009.

	2008	2007
		(000's)
Revenue:		
Lottery ticket sales	$ 158,291	$ 156,144
Investment income	651	631
Retailer fees	203	207
Total revenue	$ 159,145	$ 156,982
Lottery expenses:		
Provincial sales tax	$ 100	$ 143
Goods and services tax	1,195	1,291
Share of the costs of the Western Canada Lottery Corporation:		
Prizes	84,586	81,541
Retailer commissions	8,985	8,871
Other operating expenses	4,310	3,791
Media and advertising	3,059	2,926
Telecommunications	2,684	2,798
Ticket printing	2,303	2,244
Depreciation and amortization	1,392	1,192
Provincial expenses:		
Operating	1,018	955
Distribution	1,781	1,665
Total lottery expenses	$ 111,413	$ 107,417
Net lottery profits	$ 47,732	$ 49,565

The net lottery profits flow from Saskatchewan Lotteries to the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund). Sask Sport established the Trust Fund in 1974 pursuant to *The Interprovincial Lotteries Act* (enacted in 1974). The Trust Fund's annual audited financial statements, tabled in the Legislative Assembly, show how lottery profits are distributed to agencies for sport, culture, and recreation programs.

A stated earlier, lottery ticket sales in Saskatchewan are public money and are significant. The Ministry is responsible to ensure that the Government receives the correct amount of lottery revenues and that public money is properly protected, spent prudently, and spent for intended purposes. Also, the Ministry is responsible to see that WCLC

and Saskatchewan Lotteries operate lotteries with integrity (i.e., in a fair manner and in accordance with the law).

In the past few years, the media have reported problems in the operation of lotteries in Canada including possible fraudulent activities. The public has made several complaints regarding allegations of lottery retailers claiming their customers' prizes for themselves. Individual lottery prizes can range from a free ticket to several millions of dollars. These high dollar payouts increase the potential for lottery fraud.

Reduced public confidence in the lottery schemes could result in lower lottery ticket sales and less money available for sport, culture, and recreation activities. The Ministry, through the lottery agreement, has delegated authority to WCLC and Saskatchewan Lotteries to operate the lotteries. The Ministry remains accountable to the Assembly for the administration and integrity of the lottery operations.

The Ministry must have adequate processes to supervise WCLC's and Saskatchewan Lotteries' compliance with the lottery agreement. These processes should help ensure the Ministry that lotteries in Saskatchewan are being operated in a fair manner, in accordance with the law, and that the Government receives the correct amount of lottery revenues and pays only expenses that are prudent and for the intended purposes.

Exhibit II contains further information regarding WCLC's governance structure and outlines the distribution of lottery profits in Saskatchewan.

For the remainder of this chapter, all references to Sask Lotteries pertain to the two companies that Sask Sport set up to carry out functions assigned to it by the lottery agreement (i.e., Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.).

Audit objective and criteria

The objective of our audit was to assess the adequacy of the Ministry's processes as of September 30, 2008 to ensure that WCLC and Sask Lotteries are complying with the lottery agreement. We did not audit WCLC's and Sask Lotteries' processes to operate the lottery scheme.

We used the criteria set out in Exhibit I to assess the Ministry's processes. We based our criteria on related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry agreed with the criteria.

Throughout the audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Exhibit 1—Audit criteria

To ensure that WCLC and Sask Lotteries comply with the Western Canada Lottery Agreement (Agreement), the Ministry needs to:

1. Establish processes to monitor compliance with the terms of the Agreement
2. Carry out procedures to monitor compliance with the Agreement
3. Report to senior management on compliance with the Agreement
4. Take remedial action for any significant non-compliance with the Agreement

Conclusion

At September 30, 2008, the Ministry of Tourism, Parks, Culture and Sport did not have adequate processes to ensure that the Western Canada Lottery Corporation and Sask Lotteries were in compliance with the Western Canada Lottery Agreement.

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and our key findings for our four criteria, together with our recommendations.

Establish processes to monitor compliance

We expected that the Ministry would have processes to supervise WCLC's and Sask Lotteries' compliance with the terms of the lottery agreement including:

- *assigning responsibility for monitoring compliance*
- *documenting the procedures to monitor compliance with the agreement and their timing and frequency*

- *setting out the timing and frequency of the reports to senior management of the Ministry on compliance with the agreement*

The Ministry had not established adequate procedures to supervise compliance with the agreement.

The Ministry's procedures manual[6] assigns responsibility for supervising WCLC's and Sask Lotteries' operations to the Ministry's Strategic Policy Branch. However, the manual does not include procedures for supervising compliance with the lottery agreement or reporting on compliance to senior management. The manual only required staff to review WCLC's annual reports.

Management of the Ministry told us that its staff performed certain procedures to supervise compliance with the agreement. These procedures included: a general review of the financial information sent by WCLC and Sask Lotteries; frequent meetings and discussions with Saskatchewan's representatives on the WCLC board; a review of WCLC's board minutes; and periodic meetings between senior management of the Ministry and Saskatchewan's representatives on the WCLC Board. Management and staff generally did not keep written evidence of these procedures.

In some instances, there was evidence that staff reviewed documents that WCLC provided and brought forward concerns and issues to management. Staff documented the concerns in memos to management together with background information on an ad hoc basis. The Ministry did not have formal processes to document the results of the reviews that its staff carried out. Also, the Ministry did not document its discussions and meetings with its representatives on the WCLC Board.

WCLC is a joint venture created by the Ministry and two other governments to increase the scope of lottery schemes and revenues, increase efficiencies, and share common costs such as administration and capital assets. Because the Ministry appoints only two of WCLC's six directors, the Ministry can only influence the operations of WCLC. The Ministry must take steps to ensure WCLC's operating policies and

[6] Entitled-*Procedures Manual: Stewardship of Third Party Agencies, Tourism, Parks, Culture and Sport.*

financial plans are consistent with the Ministry's objectives by providing direction to its two representatives on the WCLC Board.

The *Canada Business Corporations Act* requires corporate directors to act in the best interests of their corporation. Some think this means that the Ministry's appointed directors on WCLC cannot take direction from the Ministry regarding their duties on the WCLC board. However, Saskatchewan's representatives on the board of WCLC are appointed by the Ministry to achieve the Ministry's lottery scheme objectives. The reason for appointing directors to the board of WCLC is to promote and protect the Ministry's objectives. If there is a conflict between WCLC's objectives and the Ministry's objectives, the directors from Saskatchewan would be in a conflict of interest and would have to resign as directors of WCLC.

The Ministry had not given its representatives on the WCLC Board written guidelines on how to protect the Ministry's interests. This guidance would assist the representatives to help the Ministry achieve its lottery objectives, e.g., its lottery revenue is properly protected, spent prudently, and spent only for intended purposes. This guidance would facilitate the timely flow of information from the WCLC board back to the Ministry. The Ministry could not provide us any written reports from its representatives on the activities and decisions of the WCLC board.

The Ministry's written guidelines to its representatives on the WCLC board should include:

- the Ministry's lottery scheme operational, financial, and compliance with the law objectives (including the lottery agreement)
- the Ministry's policies and procedures to conduct and manage the lottery scheme
- content and timing of regular written reports prepared by the board representatives for the Ministry on WCLC's actual results compared to plans, with explanations of differences between planned and actual results

We also saw limited evidence that the Ministry set direction and monitored the performance of Sask Lotteries as Saskatchewan's PMO. The Ministry had not set out, in writing, the responsibilities it expected Sask Lotteries to carry out on its behalf and how it expected Sask Lotteries to report back. This could be done in the form of an agreement. An agreement would:

- set out clearly the Ministry's financial, operational, and compliance with the law objectives (including the lottery agreement)
- require Sask Lotteries to present its strategic plan and annual budget and operational plan to the Ministry for approval
- require Sask Lotteries to present its policies and procedures to ensure lottery money is properly protected, spent prudently, and spent only for the purposes intended to the Ministry for approval
- require Sask Lotteries to report periodically to the Ministry on Sask Lotteries' assessments of the control it has established to achieve the Ministry's objectives
- require Sask Lotteries to report to the Ministry periodically on its progress in achieving the Ministry's objectives
- allow the Ministry or an independent auditor to verify Sask Lotteries' reports

We make the following recommendations for the Ministry to improve its processes to monitor compliance with the lottery agreement.

1. We recommend the Ministry of Tourism, Parks, Culture and Sport establish and implement written procedures for monitoring compliance with the lottery agreement by the Western Canada Lottery Corporation, Western Canada Lottery – Saskatchewan Division Inc., and Sask Sport Distributors Inc.

2. We recommend the Ministry of Tourism, Parks, Culture and Sport establish written guidelines for its representatives on the board of directors of the Western Canada Lottery

Corporation to help achieve the Ministry's lottery scheme objectives.

3. We recommend the Ministry of Tourism, Parks, Culture and Sport make agreements with the Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. to help achieve the Ministry's lottery scheme objectives.

Management told us it agrees with these recommendations and has begun to prepare processes to ensure WCLC and Sask Lotteries comply with the lottery agreement. Management also told us it has contracted a consultant to provide recommendations on the Ministry's oversight function of its lottery schemes in Saskatchewan.

Carry out procedures to monitor compliance

We expected that the Ministry would have carried out processes to supervise compliance with the agreement including:

- *ensuring procedures are carried out as planned*
- *documenting evidence that the procedures were carried out, including the results of the procedures performed*

As described earlier, the Ministry had not established written processes to supervise WCLC's and Sask Lotteries' compliance with the Lottery Agreement.

The Ministry told us its procedures to supervise compliance with the lottery agreement consisted primarily of a review of the audited financial statements prepared by WCLC and the Trust Fund. Audited financial statements do not provide information on compliance with the lottery agreement including whether Ministry received the correct amount of lottery revenues. The Ministry needs independent auditors' reports on WCLC's and Sask Lotteries':

- internal controls to ensure public resources are properly protected including being spent prudently and spent only for intended purposes

- compliance with the lottery agreement

The Ministry also needs to review WCLC's and Sask Lotteries' expenses to ensure they are appropriate and reasonable.

WCLC provides an independent auditor's report to the Saskatchewan Liquor and Gaming Authority (SLGA) on the control procedures at WCLC Saskatchewan Video Lottery Division. The auditor's report provides SLGA assurance that its control objectives over video lottery terminal revenue are achieved. The Ministry could request a similar auditor's report from WCLC on its lottery schemes in Saskatchewan.

The Ministry relies on its agents, WCLC and Sask Lotteries, to ensure the integrity of operations of the lottery schemes in Saskatchewan. Although WCLC and Sask Lotteries have made several changes to the operation of the lotteries to react to the retailer fraud concerns, we found no evidence that the Ministry provided direction to WCLC and Sask Lotteries on how to ensure integrity.

The Ministry carried out some procedures to promote integrity. For example, the Ministry has received periodic reports from WCLC regarding the changes that it has made to improve the integrity of the lottery prize claim process. These reports show the status of the proposed changes that WCLC has made to reduce the risk that someone other than the prize winner has claimed the proceeds. The Ministry's staff reviewed these reports, obtained information from its WCLC board representatives, and provided updates to senior management.

To promote integrity in the lottery schemes, the Ministry should provide written direction to WCLC and Sask Lotteries and supervise their performance.

Recommendations related to procedures for monitoring compliance are covered in our previous recommendations.

Report to senior management on compliance

We expected that the Ministry would have processes to report to senior management on WCLC's compliance with the agreement including:

- *providing senior management with regular reports on WCLC's and Sask Lotteries' compliance with the lottery agreement including detailed information to assess the level of compliance*

- *having mechanisms to identify issues of non-compliance with the agreement*
- *providing a public report on its assessment of WCLC's and Sask Lotteries' compliance with the lottery agreement*

Ministry staff informed senior management of issues related to lottery operations as they arose through written memos. The Ministry had no written requirements for periodic reporting to senior management. Although management received some written reports on the operations of lotteries in Saskatchewan, the reports were not sufficient to determine WCLC's or Sask Lotteries' compliance with the agreement. As a result, senior management may not be able to take timely corrective action and could make inappropriate decisions.

The Ministry did not have a written process to identify issues of non-compliance with the agreement.

The Ministry does not report publicly on compliance with the lottery agreement. As well, the Ministry does not publicly report a list of persons who received public money from Sask Lotteries. As stated earlier, the revenue and expenses related to the Ministry's lottery schemes are public money. To increase transparency, virtually all agencies that control public money periodically report publicly a list of persons (i.e., employees, suppliers) who received that money.

4. We recommend that staff of the Ministry of Tourism, Parks, Culture and Sport provide its senior management with regular reports on compliance with the lottery agreement by the Western Canada Lottery Corporation, Western Canada Lottery – Saskatchewan Division Inc., and Sask Sport Distributors Inc.

5. We recommend the Ministry of Tourism, Parks, Culture and Sport report publicly on compliance with the lottery agreement by the Western Canada Lottery Corporation, Western Canada Lottery – Saskatchewan Division Inc., and Sask Sport Distributors Inc.

6. We recommend the Ministry of Tourism, Parks, Culture and Sport make public a list of persons (i.e., employees,

suppliers) who received public money from Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.

7. We recommend the Ministry of Tourism, Parks, Culture and Sport give the Legislative Assembly the annual audited financial statements of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc.

Management told us it agrees with these recommendations and plans to implement them.

Take remedial action for any significant non-compliance

We expected the Ministry would have processes to:

- *deal with significant non-compliance issues efficiently and effectively*
- *provide feedback to WCLC and Sask Lotteries regarding issues of non-compliance*

Processes to deal with non-compliance should include procedures to:

- *clearly define the problem*
- *provide options for corrective action*
- *promptly inform WCLC and Sask Lotteries (agents) in writing of the problem and corrective action required*
- *give the agents a deadline for fixing the problem*
- *set predetermined remedies if the agents do not correct the problem promptly*

The Ministry provided us limited evidence that Ministry staff recommended corrective action or that senior management took corrective action when necessary.

The Ministry's procedures manual did not address processes to deal with non-compliance with the lottery agreement. Without documented procedures, the Ministry may not appropriately deal with issues of non-compliance in a timely manner.

Senior management met periodically with Saskatchewan's representatives on the WCLC board to discuss WCLC operations and to provide feedback to WCLC.

Recommendations related to taking remedial action for significant non-compliance with the lottery agreement are covered in our previous recommendations.

Our plans

As noted earlier, WCLC and Sask Lotteries manage public money. *The Provincial Auditor Act* requires our Office to audit all public money.

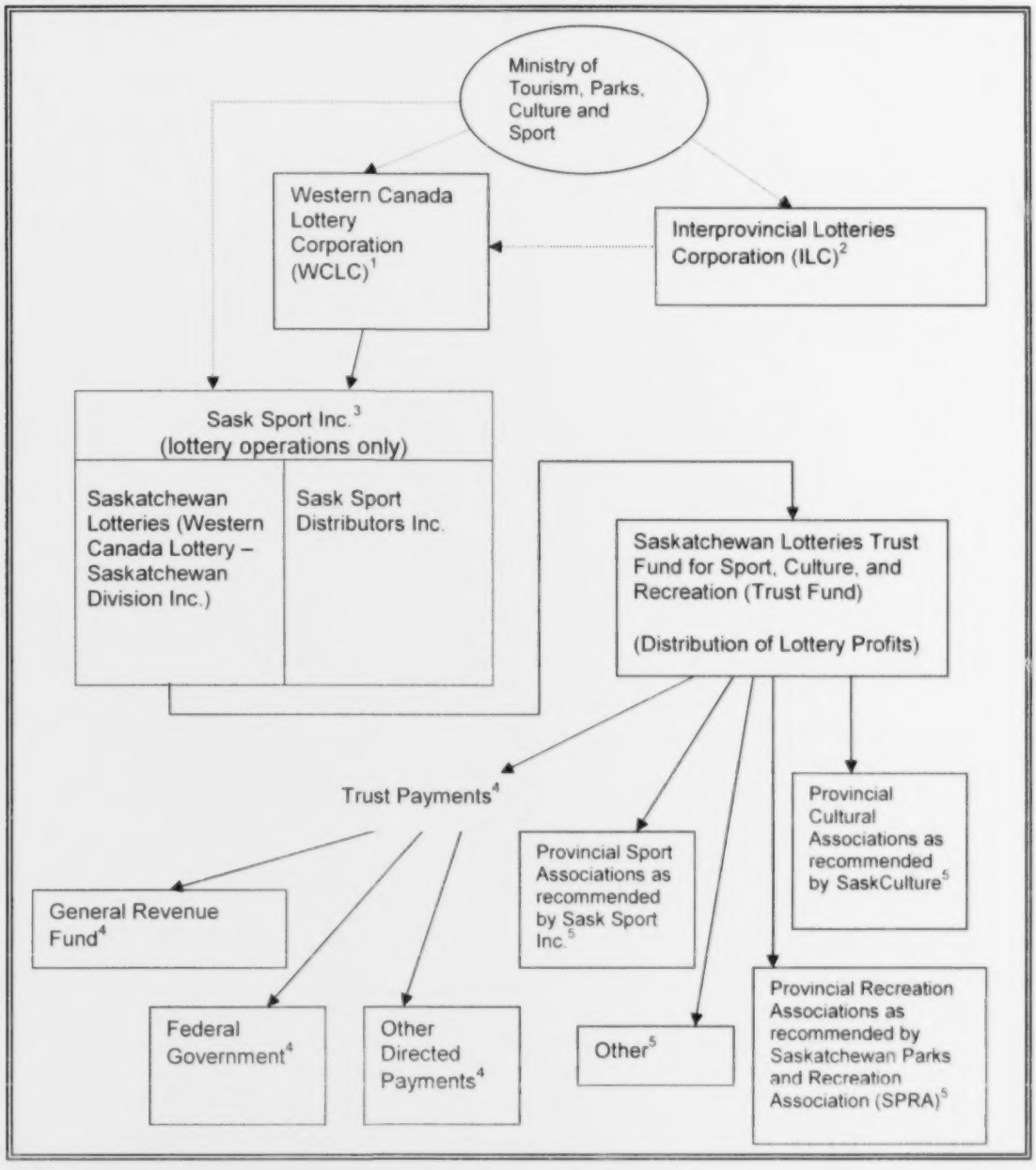
Beginning for the year ending March 31, 2010, we plan to extend the work we do at Sask Sport Inc. for the audit of the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. That work will now include the audits of Western Canada Lottery – Saskatchewan Division Inc. and Sask Sport Distributors Inc. Also, we plan to audit WCLC.

These entities have appointed auditors. When an entity has an appointed auditor, we follow the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html).

Organizational structure and lottery profit distribution

The following figure shows the organizational structure of lottery operations in the Province and how the Government distributes profits.

Exhibit 2—Organizational structure and lottery profit distribution


Ministry of Tourism, Parks, Culture and Sport
Western Canada Lottery Corporation (WCLC)[1]
Interprovincial Lotteries Corporation (ILC)[2]
Sask Sport Inc.[3] (lottery operations only)
Saskatchewan Lotteries (Western Canada Lottery – Saskatchewan Division Inc.)
Sask Sport Distributors Inc.
Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation (Trust Fund)
(Distribution of Lottery Profits)
Trust Payments[4]
General Revenue Fund[4]
Federal Government[4]
Other Directed Payments[4]
Provincial Sport Associations as recommended by Sask Sport Inc.[5]
Other[5]
Provincial Cultural Associations as recommended by SaskCulture[5]
Provincial Recreation Associations as recommended by Saskatchewan Parks and Recreation Association (SPRA)[5]

Notes:

[1] WCLC is a non-profit organization. Each of its members (Alberta, Saskatchewan, and Manitoba) have two representatives on the board of WCLC. Associate members do not have representatives on the board of WCLC. The Government of Saskatchewan is represented on the board of WCLC by two employees of Sask Sport Inc. Government of Alberta is represented on the board of WCLC by one employee and one board member of The Alberta Liquor and Gaming Commission. The Government of Manitoba is represented on the board of WCLC by one employee and one board member of the Manitoba Lotteries Corporation. WCLC conducts the Western 6/49, the Plus, Pick 3, Sport Select, Prairie Keno, Keno, Extra and Scratch 'n Win lottery games and participates in the conduct of the Special Event, Lotto 6/49, Super 7 and National Scratch 'n Win lotteries through the ILC. Lottery profits from WCLC are distributed to each province based on their share of lottery sales less direct costs and less allocated non-direct costs. For Saskatchewan, lottery profits are distributed to Saskatchewan Lotteries.

[2] ILC operates joint lottery games across Canada for its members. It has a representative from each of the ten Canadian provinces. WCLC operates as a regional marketing organization for ILC representing Alberta, Saskatchewan, and Manitoba.

[3] Sask Sport also conducts operations not related to the lottery schemes. This chapter only includes operations related to lottery schemes.

[4] The Trust Fund receives the net lottery profits after paying for expenses relating to marketing (Saskatchewan Lotteries) and distribution (to Sask Sport Distributors Inc.) of lottery tickets. The Trust Fund pays certain amounts including:

- the Federal Government in exchange for withdrawing from the lottery field
- certain volunteer non-profit organizations in Saskatchewan that previously acted as lottery ticket distributors
- the General Revenue Fund of the Province of Saskatchewan
- other organizations such as Saskatchewan Exhibition Association and the Mackenzie Art Gallery as directed by the Minister

[5] The Trust fund pays out the remainder of the lottery profits to eligible sport (50%), culture (35%) and recreation groups (15%) based on recommendations from Sask Sport, SaskCulture, and SPRA. These three organizations are independent non-profit organizations. They have a signed agreement with the Government of Saskatchewan, which set out the operations of the Trust Fund. The Trust Fund also pays money to others under the Community Development Fund and the Canada Games Program.

Selected references

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Standing Committee on Crown and Central Agencies

17

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Main points

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central government agencies, liquor, gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. At December 2008, the Government has implemented most of the Committee's recommendations. This chapter sets out the status of outstanding recommendations for agencies not discussed elsewhere in this report.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies. We describe what the Committee does, how it is structured, and how it works. We discuss the importance of the Committee's deliberations and recommendations. We also highlight some of its recent activities. In the Exhibit, we set out the status of the Committee's recommendations outstanding at December 31, 2008 for agencies not discussed elsewhere in this report.

Overview of Committee's role and responsibilities

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. Policy field committees are responsible for examining various documents referred to them by the Assembly. These documents include bills and regulations (proposed laws), annual budget Estimates, and annual reports. Policy field committees can also conduct inquiries into matters within their mandates.

This Committee's mandate is to consider matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central government agencies, liquor, gaming, and all other revenue-related agencies and entities.[1] At the beginning of each Legislature, the Legislative Assembly appoints the members of the Committee.

The Committee focuses on corporations that receive revenues primarily from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives, and past performance. Because of the magnitude of financial activity that the Government manages through CIC and its corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

The Assembly refers the annual reports and financial statements of CIC and its corporations to the Committee. The Committee also receives payee disclosure reports from each corporation. In addition, the Assembly

[1] Rule 142, Rules and Procedures of the Legislative Assembly of Saskatchewan.

refers our reports (or parts thereof) that relate to CIC and its corporations to the Committee. The Committee uses these reports to review the corporations' operations.

The Committee also requires CIC and its corporations to submit reports of their significant transactions. Significant transactions are defined as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public. These reports describe the transaction, the objectives of the transaction, its financial implications, and the authority for the transaction. Because Crown corporations must submit these reports within 90 days after the transaction, the Committee can review them on a timely basis. During 2008-09, the Committee received nine significant transaction reports.

Our Office attends certain meetings of the Committee to help it with its review of annual reports, financial statements and relevant chapters in our reports. To these meetings, the Committee also invites each corporation's appointed auditor to help the Committee with its review.

Crown corporation officials and the Minister responsible for the corporation attend the Committee's meetings. They answer questions about their corporation's financial results, plans and priorities, significant transactions, and related chapters in our reports. Periodically, the Committee formally reports its findings and recommendations to the Assembly.

The Committee's meetings are open to the public. Its website (www.legassembly.sk.ca/committees/) contains information about the composition of the Committee and records of the Committee's meetings (i.e., Hansard verbatim, minutes, videos, and reports).

As with the Standing Committee on Public Accounts, this Committee's discussions and recommendations to the Assembly result in a more open and accountable government and in better management of government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Members of the Committee

The following members served on the Committee during 2008-09:

- Dustin Duncan, Chair
- Nancy Heppner
- Tim McMillan
- Jim Reiter
- Kim Trew, Deputy Chair
- Randy Weekes
- Kevin Yates

Committee activities

During 2008-09, the Committee met 13 times. It reviewed various Estimates and bills and issued four reports thereon to the Assembly.

Also, although it has not yet reported to Assembly, the Committee:

- concluded its review of the following annual reports of the following corporations (annual report year in brackets):
  - Crown Investments Corporation of Saskatchewan (2006, 2007)
  - Information Services Corporation of Saskatchewan (2006, 2007)
  - Investment Saskatchewan Inc. (2006, 2007)
  - Saskatchewan Government Growth Fund Management Corporation (2007)
  - Saskatchewan Government Insurance (2006, 2007)
  - Saskatchewan Opportunities Corporation (2006, 2007)
  - Saskatchewan Power Corporation (2006, 2007)
  - Saskatchewan Telecommunications Holding Corporation (2004, 2005, 2006, 2007)
  - Saskatchewan Transportation Company (2006, 2007)
  - Saskatchewan Water Corporation (2005, 2006, 2007)
  - SaskEnergy Incorporated (2005, 2006, 2007)

- considered the chapters related to CIC and its corporations in the following Provincial Auditor reports.
  - 2006 Report – Volume 1, Chapters 12 and 14
  - 2007 Report – Volume 1, Chapters 11, 12 and 13
  - 2008 Report – Volume 1, Chapter 14
  - 2008 Report – Volume 3, Chapter 16

The following chapters related to CIC and its corporations in Provincial Auditor reports remain to be reviewed by the Committee:

- 2007 Report – Volume 3, Chapter 23
- 2008 Report – Volume 1, Chapters 12 and 13

Status of outstanding recommendations

The Committee's reports (and those of the predecessor Standing Committee on Crown Corporations) contain recommendations, some of which take more than one year to implement. Each year, we follow up and report on their status.

Either in a chapter relevant to the Crown corporation or in the exhibit below, we provide an update of the status of the Committee's outstanding recommendations--that is, recommendations that the Government has not yet fully implemented. We encourage the Government to implement these recommendations.

The exhibit below sets out, by each of the Committee's reports, recommendations outstanding at December 31, 2008 that are not discussed in another chapter in this report. For each of these recommendations, the exhibit sets out the report year of the initial recommendation, the Committee's decision on our recommendation, and to what extent the recommendation was implemented at December 31, 2008. The section below explains the terms used in the exhibit.

Exhibit – Outstanding recommendations not discussed in another chapter in this report

Report Year	Outstanding Recommendation	Status
Third Report of the 3rd Session of the 24th Legislature – tabled December 9, 2002		
2001 Spring	The Committee concurs: 11.1 The Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary.	**Not implemented.** Legislative amendments have not been made.
2001 Spring	The Committee concurs: 11.4 The Government should change current laws to: • require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares • require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.	**Not implemented.** Legislative amendments have not been made.
Fourth Report of the 1st Session of the 25th Legislature – tabled May 24, 2005		
2004 Report Vol. 1	The Committee concurs: 7.1 CIC should review the limits over which CIC and its subsidiaries must get Order in Council approval to buy and sell real property, either directly or through a subsidiary, and CIC should seek legal changes where appropriate.	**Partially implemented.** CIC has approved new limits that will apply to CIC and each of its subsidiaries. It has made the necessary legal changes for five subsidiary Crown corporations. CIC indicates it will do so for four others when their governing Acts are considered for other legislative changes.

Tenth Report of the 3rd Session of the 25th Legislature – tabled August 23, 2007		
2006 Report Vol. 1	The Committee concurs: 9.3 SaskPower should use its new strategic plan to assess alternative strategies that address identified infrastructure needs.	**Partially implemented.** SaskPower is updating key planning documents. When they are finalized, it should have sufficient information to assess alternative strategies consistently. Our Office plans to do a follow-up in 2010.
2006 Report Vol. 1	The Committee concurs: 9.4 SaskPower should document the nature and extent of specific infrastructure risks that it accepts when it approves projects.	**Partially implemented.** SaskPower is updating key planning documents. When they are finalized, SaskPower should have sufficient information to document specific infrastructure risks. Our Office plans to do a follow-up in 2010.

Exhibit terms

Committee concurs – These are our Office's recommendations that the Committee supports, agrees, or concurs with. The Committee does not expect a formal response from the Government but does expect the Government to comply with the recommendations. In the Exhibit, these recommendations are identified by a non-bold number (e.g., 4.1) preceding them. The non-bold numbers reflect the chapter and recommendation number of our related report.

Committee recommends – These are the Committee's recommendations. The Committee expects an official response or action by the Government. In the Exhibit, these recommendations are identified by a bold number (e.g., **1**.) preceding them.

Committee considered – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

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Appendix

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2007*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4; 2001, c.32, s.3; 2005, L-11.2, s.97; 2007, c.6, s.2.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a) resigns or is suspended or removed from office pursuant to section 3.2; or

(b) attains the normal date of retirement for employees of the public service of Saskatchewan.

(3) The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

(a) to the Speaker; or

(b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a) an annual report on operations pursuant to section 10.4;

(b) a business and financial plan pursuant to section 10.5;

(c) an annual report pursuant to section 12; or

(d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a) shall review the estimates; and

(b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a) is prorogued; or

(b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a) a public accounts committee has not been appointed; and

(b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b) an appropriation by special warrant issued pursuant to section 10.2; and

(c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a) a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work the provincial auditor conducted; and

(c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, **"report"** means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

(b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a) commences on the day a Legislative Assembly is dissolved; and

(b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

2001, c.32, s.13; 2005, c.L-11.2, s.97.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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Appendix 2

List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies that were subject to audit examination under *The Provincial Auditor Act* at December 31, 2008.

This Appendix includes the status of those audits at April 30, 2009. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2008 Rpt V2
Ministries and Secretariats:			
Ministry of Advanced Education, Employment and Labour	March 31	Complete	Yes/2008 Rpt V3
Ministry of Agriculture	March 31	Complete	Yes/2009 Rpt V1 & 2008 Rpt V3
Ministry of Corrections, Public Safety and Policing	March 31	Complete	Yes/2009 Rpt V1
Ministry of Education	March 31	Complete	Yes/2009 Rpt V1 & 2008 Rpt V3
Ministry of Energy and Resources	March 31	Complete	No
Ministry of Enterprise and Innovation	March 31	Complete	No
Ministry of Environment	March 31	Complete	Yes/2008 Rpt V3
Ministry of Finance	March 31	Complete	Yes/2009 Rpt V1 2008 Rpt V3
Ministry of First Nations and Métis Relations	March 31	Complete	Yes/2008 Rpt V3
Ministry of Government Services	March 31	Complete	Yes/2009 Rpt V1 & 2008 Rpt V3
Ministry of Health	March 31	Complete	Yes/2008 Rpt V3
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2008 Rpt V3
Ministry of Intergovernmental Affairs	March 31	Complete	No
Ministry of Justice and Attorney General	March 31	Complete	Yes/2008 Rpt V3
Ministry of Municipal Affairs	March 31	Complete	No
Ministry of Social Services	March 31	Complete	Yes/2008 Rpt V3
Ministry of Tourism, Parks, Culture, and Sport	March 31	Complete	Yes/2009 Rpt V1
Executive Council	March 31	Complete	No
Information Technology Office	March 31	Complete	Yes/2009 Rpt V1 & 2008 Rpt V3
Provincial Secretary, Office of the	March 31	Complete	No
Public Service Commission	March 31	Complete	Yes/2009 Rpt V1 & 2008 Rpt V3
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Note 1	
101039181 Saskatchewan Ltd.	December 31	Note 1	
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Note 1	
617275 Saskatchewan Ltd.	December 31	Note 1	
Abernethy Enterprises, Inc.	December 31	Note 1	

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Big Sky Farms Inc.	June 28	Complete	No
Board of Governors, Uranium City Hospital	March 31	Complete	No
Carlton Trail Regional College	June 30	Rotational	
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC APEX Equity Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	Note 2
Craik Enterprises Inc.	December 31	Note 1	
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
DirectWest Canada Inc.	December 31	Complete	No
DirectWest Corporation	December 31	Complete	No
Enterprise Saskatchewan	March 31	Note 3	
Esterhazy Holding, Inc.	December 31	Note 1	
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Note 3	
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	No
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 1	

Appendix 2

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
Hospitality Network Canada Inc.	December 31	Complete	No
Information Services Corporation of Saskatchewan	December 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
IS Belle Plaine Holdings Inc.	December 31	Note 3	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2009 Rpt V1 & 2008 Rpt V3
Liquor and Gaming Authority Extended Health Care Plan	March 31	Note 3	
Liquor Board Superannuation Commission, The	December 31	Complete	Note 4
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Delayed	Yes/2009 Rpt V1 & 2008 Rpt V3
Municipal Employees' Pension Commission	December 31	Complete	Yes/2009 Rpt V1
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Ltd.	December 31	Note 1	
Nokomis Holding, Inc.	December 31	Note 1	
North Sask. Laundry & Support Services Ltd.	March 31	Complete	Yes/2008 Rpt V3
North West Regional College	June 30	Rotational	
Northlands College	June 30	Complete	No
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland Regional College	June 30	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2008 Rpt V3
Public Service Superannuation Board	March 31	Complete	Yes/2008 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2008 Rpt V3
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Cancer Agency	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	December 31	Complete	Yes/2009 Rpt V1 & 2008 Rpt V3
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes 2009 Rpt V1

Appendix 2

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	No
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2008 Rpt V3
Saskatchewan Labour Market Commission	March 31	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Note 2
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	Yes/2008 Rpt V3
Saskatchewan Pension Plan	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Power Corporation	December 31	Complete	No
Saskatchewan Research Council, The	March 31	Complete	Yes/2009 Rpt V1 & 2008 Rpt V3
Saskatchewan Telecommunications	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	Yes/2009 Rpt V1
Saskatchewan Watershed Authority	March 31	Complete	No
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
SaskPower International Inc.	December 31	Complete	No
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SecurTek Partnership No. 8	December 31	Note 1	
SecurTek Partnership No. 9	December 31	Note 1	
SGC Holdings Inc.	December 31	Complete	Yes/2009 Rpt V1
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Complete	No
Sun Country Regional Health Authority	March 31	Complete	Yes/2008 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	No
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Complete	Yes/2009 Rpt V1
TecMark International Commercialization Inc.	March 31	Complete	No
Thomson Meats Ltd.	December 31	Complete	No
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Wild River Resources Ltd.	December 31	Note 1	
Workers' Compensation Board	December 31	Complete	Yes/2008 Rpt V3
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Xavier Holding, Inc.	December 31	Note 1	
Yellowgrass Holding, Inc.	December 31	Note 1	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
Extended Health Care Plan	December 31	Complete	Yes/2009 Rpt V1
Extended Health Care Plan for Certain Other Employees	December 31	Complete	Yes/2009 Rpt V1
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	Yes/2009 Rpt V1
Extended Health Care Plan for Retired Employees	December 31	Complete	Yes/2009 Rpt V1
Fish and Wildlife Development Fund	March 31	Complete	Yes/2008 Rpt V3
General Revenue Fund	March 31	Complete	Yes/2008 Rpt V3
Growth and Financial Security Fund	March 31	Note 3	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2008 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Complete	No
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2008 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2008 Rpt V3
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	Yes/2009 Rpt V1
Public Employees Group Life Insurance Fund	December 31	Complete	Yes/2009 Rpt V1
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No
SAHO Core Dental Plan	December 31	Delayed	
SAHO Disability Income Plan – CUPE	December 31	Delayed	
SAHO Disability Income Plan – SEIU	December 31	Delayed	
SAHO Disability Income Plan – General	December 31	Delayed	
SAHO Disability Income Plan – SUN	December 31	Delayed	

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
SAHO Group Life Insurance Plan	December 31	Delayed	
SAHO In-scope Extended Health/ Enhanced Dental Plan	December 31	Delayed	
SAHO Master Trust Combined Investment Fund	December 31	Delayed	
SAHO Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Delayed	
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts	March 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Delayed	
Teacher's Dental Plan	December 31	Delayed	
Teacher's Disability Plan	June 30	Note 3	
Teacher's Group Life Plan	August 31	Delayed	
Technology Supported Learning Revolving Fund	March 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2008	Status at April 30, 2009	Significant issues reported[2]
Thomson Meats Pension Plan	December 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Zenon Park Holding Inc.	December 31	Note 1	
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2008 Rpt V3
Chief Electoral Office	March 31	Complete	No
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2008, these subsidiary corporations did not carry out active operations.

Note 2: We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

Note 3: These agencies were recently created or became Crown agencies. March 31, 2009, and June 30, 2009 will be the first period-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

Note 4: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the Superannuation (Supplementary Provisions) Act. Our 2001 Spring Report contains further information on this matter.

Note 5: These agencies are included in the summary financial statements and did not carry out active operations during their fiscal year.

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1. "Complete" – the audit was complete at April 30, 2009.
   "Delayed" – the audit was delayed.
   "Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at April 30, 2009 as "Complete". We list the other entities as "Rotational".
   "Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

2. "No" - no significant issues were reported.
   "Yes/2008 Rpt V2" – significant issues were reported in our 2008 Report – Volume 2.
   "Yes/2008 Rpt V3" – significant issues are reported in our 2008 Report – Volume 3.
   "Yes/2009 Rpt V1" – significant issues are reported in our 2009 Report – Volume 1.

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Appendix 3

Samples of opinions we form on ministries, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- the adequacy of the Government's management of public resources
- the Government's compliance with legislative authorities
- the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Appendix 3

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown Agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

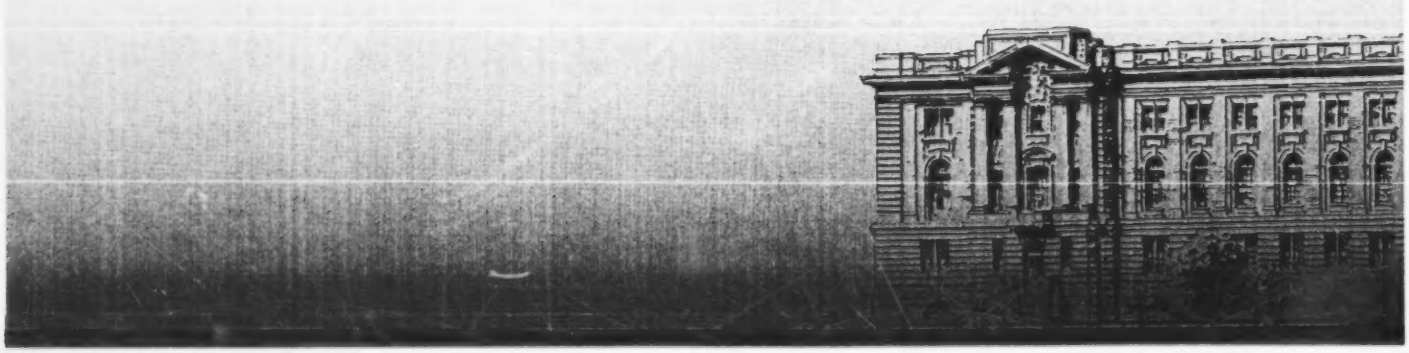
My examination was made in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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